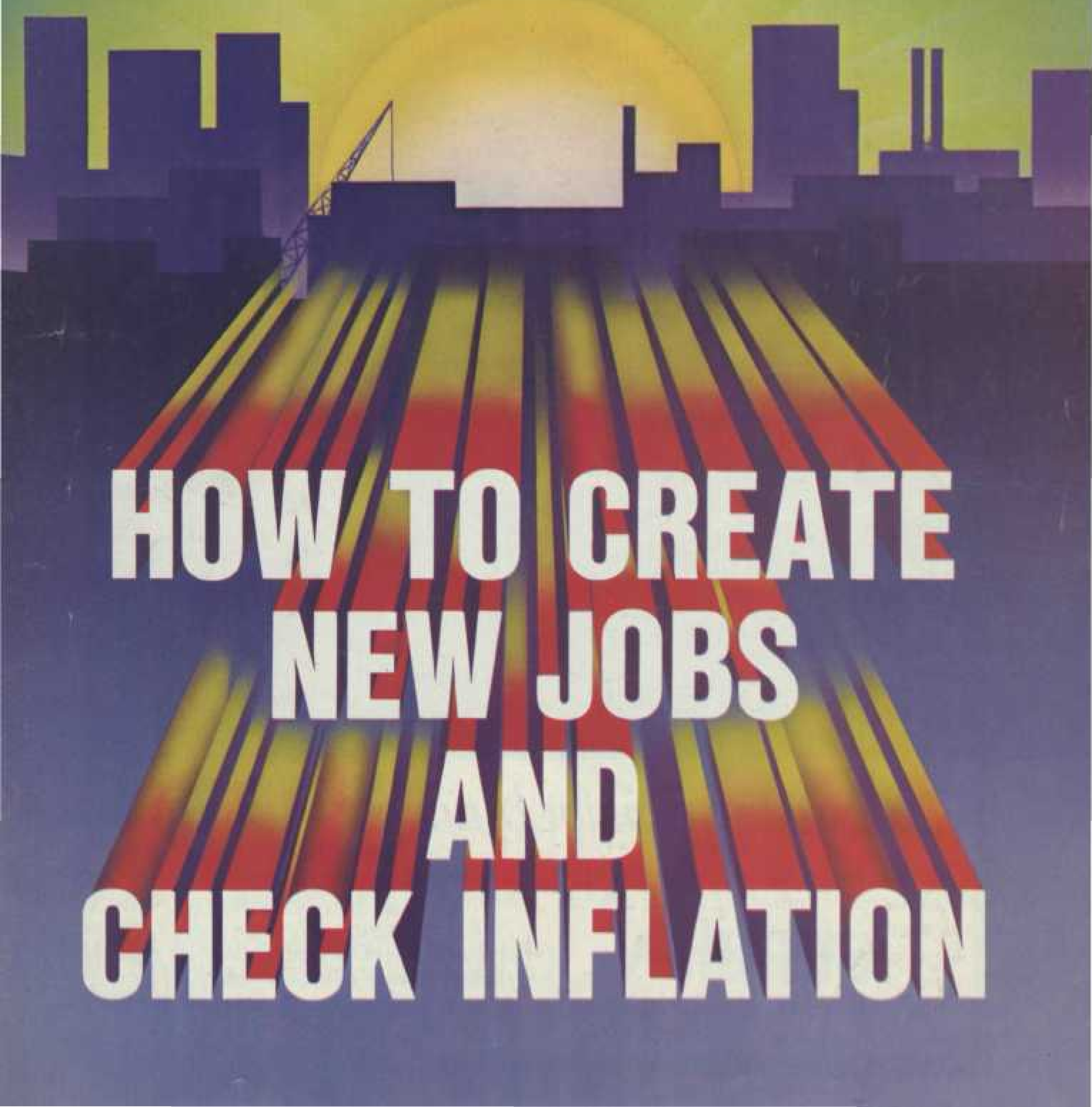
APRIL 1976

Nation's Business



HOW TO CREATE NEW JOBS AND CHECK INFLATION

The last reason for buying a Cadillac.

After all the personal enjoyment . . .
After the thousands of miles of Cadillac comfort and convenience . . .
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After all that comes the last pleasure a Cadillac can provide. And that, of course, is what it can bring at trade-in time. For it is true that Cadillac consistently has had the highest resale value of any U.S. luxury car make.
And if the money difference doesn't impress you, consider what Cadillac resale value says about the basic worth of the car—and how people view that worth.
Whether you buy or lease, you really should visit your Cadillac dealer.

Do you own a small business?

Go over these 6 questions with your group insurance agent.

If you don't get 6 "Yesses"– call Allstate.

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1. Does my present group Major Medical benefit *keep on paying*, no matter how expensive the illness or accident becomes? YES NO

2. Does my present basic medical expense insurance pay the very first dollar (so I pay no deductible) for expenses such as surgery, room and board, X-ray and lab, and in-hospital doctor fees? YES NO

3. Is my present plan designed to pay up to 95% of hospital expenses? YES NO

4. Does my present plan cover all X-rays and lab tests other than routine physical exams? YES NO

5. Does my present plan provide disability income protection to help replace my employees' paychecks and mine? YES NO

6. Does my present plan provide coverage for maternity expenses? YES NO

How to answer "Yes" to every one.

You'll be able to answer "Yes" to all these questions—and quite a few more—if you have the Allstate Small Employer Group Medical Plan A, with disability income, maternity expense coverage, and life insurance. We also offer alternative plans. All include life and accidental death and dismemberment insurance.

What do we call a "small" business?

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How to call Allstate.

Simply look in your phone book under "Allstate." An agent will gladly come out and talk to you at your convenience.

See your Allstate agent for costs, details of the coverage, exclusions, reductions, limitations and terms under which insurance may be continued in force. Or just write Allstate.

*Available in most states to businesses that qualify.

Allstate®

You're in good hands.

Allstate Insurance Co., Allstate Life Insurance Co., Northbrook, IL.

Nation's Business

VOLUME 64 · NUMBER 4 · APRIL 1976

Departments

Cover art by Great, Inc.

Nation's Business is published monthly at 1615 H Street N. W., Washington, D. C. 20062 by the Chamber of Commerce of the United States; Communications General Manager, Jack Wooldridge.

Editorial and circulation headquarters—1615 H Street N. W., Washington, D. C. 20062; Editorial—(202) 659-6010; Circulation—(202) 659-6087. Advertising headquarters—711 Third Avenue, New York, N. Y. 10017; telephone (212) 557-9886.

Subscription rates: United States and possessions, $39.75 for three years; in Canada, $16 a year. Printed in U. S. A. Second class postage paid at Chicago, Ill.

Three Basic Reasons for Capital Investment

CONTINUING OPTIMISM is in the air as America pulls out of the worst recession since the 1930's.

The expectations of businessmen responding to the latest NATION'S BUSINESS quarterly outlook survey (page 42) are bolstered by the latest government figures which say that the economy is perking up.

This doesn't mean our economic worries are over. For one thing, there is need for massive capital investment by the private sector to keep plants producing—and to increase the productivity of the American worker.

William E. Simon, the Secretary of the Treasury, has written a thoughtful article on the capital investment question, "How to Create New Jobs and Check Inflation" (page 28).


William E. Simon

PHOTO: WIDE WORLD

"The truth is," he says, "that not enough Americans have been taught the fundamentals about profits, capital investment, and productivity, the real sources of jobs and solid living standards."

There are three basic reasons that capital investment is needed, Mr. Simon says, and they leave no room for misunderstanding. They are:

- To create jobs.
- To modernize or replace plants and equipment.
- To reach specific policy objectives, such as self-sufficiency in energy and an improved environment.

A staggering $4 trillion will have to be invested by the private sector in the next decade if goals in these areas are to be met, the Secretary says—for example, 20 million jobs will have to be created to accommodate entrants into the work force and others who are now unemployed or underemployed.

Mr. Simon offers some suggestions as to how the private sector can obtain necessary capital. And he lists some of the economic difficulties the nation is going to face if that capital isn't obtained.

• • •

Two other articles in this issue touch on public ignorance of economic facts of life.

One is "A Way to Rebuild Public Confidence in Business" (page 20) by Preston Robert Tisch, president of Loews Corp. "Public hostility toward business is higher than it has been since the great depression," Mr. Tisch says. He offers a solution based on the premise that businessmen must speak up and make their voices heard—and, above all, that they must trust the public with the truth.

And in "Selling the Profit System to the Young" (page 9), James J. Kilpatrick tells a fascinating story about how businessmen have gone back to school—to teach.

Jaguar XJC
Executive Express

The men who move most nimbly to the top often drive Jaguars.

A case in point is our sleek but spirited, very quiet but very quick, and altogether uncommon Jaguar XJC. Pure executive material in every way.

The Jaguar XJC moves with the intuitive grace of a competition machine. It has very positive power-assisted rack and pinion steering, four-wheel power disc brakes of great decisiveness and lithe, reflexive all-independent suspension.

The XJC offers you a choice of two justly famous Jaguar engines. You may choose the double-overhead cam Six, or the turbine-smooth electronically fuel-injected V-12.

Like all Jaguars, the XJC is luxurious in depth. There is no surface ostentation about the car, yet it is one of the most thoughtfully-equipped luxury cars ever to be offered for sale. The XJC comes to you complete with real leather seats, deep carpeting, burled walnut dashboard, tinted windows all around, thermostatically-controlled air conditioning, automatic transmission, AM/FM radio plus eight-track stereophonic tape deck and even belted radial whitewall tires—all standard equipment.

Also standard is the uncommonly thoughtful Jaguar warranty. For twelve months, regardless of mileage, Jaguar will replace or repair any part of the car that is defective or that simply wears out, provided only that the car is properly maintained. The only exceptions are tires, which are warranted by the tire manufacturer, and spark plugs and filters which are routine replacement items. Even then, if they are defective, Jaguar will pay to replace them.

Make a wise executive decision. Drive the Jaguar XJC soon. For the name of the dealer nearest you, call these numbers toll-free: (800) 447-4700, or, in Illinois, (800) 322-4400. British Leyland Motors Inc., Leonia, New Jersey 07605.

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Jaguar

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SCHOOL TEACHERS, Chemists, Chief Technicians, Lab Employees, X-Ray Helpers, Bacteriologists, Design Draftsmen, Technical Writers . . .

ANIMAL TRAINERS, Technical Radio Mechanics, Radio Operators, Cable Operators, Pharmacists, Audio & Video Engineers, Communication Technicians, Engineers . . .

NURSES, TV Technicians, Combo Technicians, Hotel & Reservation Clerks, Night Auditors, Dental Mechanics, Conductors, Railroad Trainmen, Funeral Directors, X-Ray Technicians . . .

ANNOUNCERS, Embalmers, Case Aides, Cosmetic Employees, Clerical Employees, Head Regional Pharmacists, Animal Keepers, Surgical Technicians

Don't be surprised at all the job classifications Teamsters Are, chances Mommy and Daddy didn't know either.

. . . Yes Jenny, Teamsters are truck drivers, too! . . .

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Without obligation, get your copy now... and be a little better prepared to face the exigencies of that next building project.

Inryco has probably been involved in more types of construction activity than most any other company you can name. That's why we decided to publish our Check List. We know the many pitfalls involved in a building project. Especially for the businessman who builds infrequently.

The Check List is not a commercial for our steel building systems (although we don't promise that we won't send along a brochure describing them, too). Send for your copy today.

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☐ I have a future building need to be used for ______

Size will be approximately ______ square feet.

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Company ______ Phone ______

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EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

Freshmen Head for Business

This year's college freshmen rate business No. 1.

That's true both of their probable major field of study and their career choice.

Their sex makes no difference here. As a career or field of study, business heads the list for both men and women, a survey shows.

Among male freshmen, 20.1 percent pick business as their probable major field of study and 17.2 as their probable career.

Among women, the percentages are 17.5 and ten.

The survey is based on questionnaires completed by 314,069 freshmen entering 562 colleges and universities last fall. The survey, tenth of its kind, was made by the University of California, Los Angeles, and the American Council on Education.

Here are data from the survey made last fall and from a similar survey made in 1970:

Probable Major Field of Study	1975	1970
Business	18.9	16.2
Education	9.9	11.6
Engineering	7.9	8.6
Health professions	7.3	7.4
Biological sciences	6.3	3.5
Fine arts	6.2	9.2
Social sciences	6.2	8.9
Agriculture/forestry	3.9	2.0
History/pol. science	3.5	5.4
Physical sciences	2.7	2.3
Humanities	2.1	3.5
Mathematics/statistics	1.1	3.3
English	1.1	3.3

Political views are shifting, too. Here's how today's freshmen describe their basic stance compared to the frosh of 1970:

Political Orientation	1975	1970
Far left	2.1	3.1
Liberal	28.8	33.5
Middle of the road	53.8	45.4
Conservative	14.5	17.1
Far right	0.7	1.0

That adds up to 30.9 percent who are far left or liberals vs. 68.3 percent who are middle of the road or conservative.

What's the word? Mellowing?

Changing the Company Name

Wonder what became of American Smelting and Refining Company?

Well, it's still alive and kicking as ASARCO Incorporated.

How about that well-known Des Plaines, Ill., maker of auto pollution controls, osmosis and ultrafiltration equipment, metal hose, and seamless tubing?

It's Universal Oil Products Co. no longer. Now it answers to UOP Inc.

"Name changing hit a new high in '75," says Alvin H. Schechter, president, Schechter + Luth, Inc., design and marketing consultants. "More than 140 companies traded in an old name for a new one."

Among the rechristened are ALUMAX Inc., once AMAX Aluminum Co., Inc.; and FCA Industries, Inc., earlier known as Financial Corp. of Arizona.

Do such changes make sense?

"Only if the new name projects uniqueness—or new vitality and direction," consultant Schechter says.

One example he cites, where change was appropriate, is United Technologies Corp.

"It used to be United Aircraft," he says. "The new name is a truer reflection of the company's present operations."

When is it wise to change the company name?

Here are some rules of thumb Mr. Schechter suggests:

1. When the old name no longer fits what the company does.

2. When a company is moving into new products or product lines.

3. When the name suggests product limitations.

"Like Texasgulf Inc.," he says. "It was Texas Gulf Sulphur Co., even

All we have to divide among us is the total of what we produce.

Have we forgotten that simple truth?

It seems so, for we are on a collision course with great need.

Up to this point in our short history, America has grown in the production of goods and services faster than the population and its needs.

Faster, in our history, than all the other nations on earth in theirs.

What made it all possible?

The ever-increasing application of energy funneled through machines... and the determination for a better life.

Applied energy made production burgeon.

It also made possible a myriad of industries which never existed before, new jobs, and new technologies which, in turn, created other industries.

Result... We have had more to divide among all of our people simply because we have produced more.

So much more that the American standard of living became the envy of the world.

But now America is beginning to lose its way.

We're losing sight of the fact that, without the application of energy, there can be no production and, without production, the needs of the people cannot be filled.

Already our production of goods and services has slowed to the point where it is not keeping pace with the needs and wants of the population—and the people are starting to feel it.

You are.

Suddenly your pay doesn't buy as much. And your wallet empties quicker. One reason is that, when too many chase after too little, prices explode. In reality, your standard of living declines.

And—as our population continues to grow—you will receive a smaller and smaller share of what we produce... unless we can produce more.

A whole lot more, if the millions coming into our world are to have an even chance at a decent way of life and if the needs of America's poor are to be met.

But increased production is not possible without the increased application of energy. And therein lies the problem. We are becoming more and more dependent for that energy upon precarious foreign sources which can be shut off at any time.

That is why we must turn more and more to coal.

Coal is our only reliable domestic source of abundant raw energy. Locked in it is the extra energy for the needed greater production.

And unless we produce more, so more Americans can have more to divide, the American standard of living, as we know it, will become history.

That simple truth we should never forget.

American Electric Power Company, Inc.

Subsidiaries: Appalachian Power Co., Indiana & Michigan Electric Co., Kentucky Power Co., Kingsport Power Co., Michigan Power Co., Ohio Power Co., Wheeling Electric Co.

after it had broadened its business activities."

How about initials for a name?

"They continue to be popular," Mr. Schechter says. "Eighteen companies took that route last year."

Generally, he's cold on that approach. He says it's "instant anonymity."

Why Aircraft Sales Are Booming

Ralph Graber, president of Pacemaker Buildings, Inc., had a choice in 1972: Remain a local builder in Washington, Iowa, or expand.

Growth, he felt, was the way to go.

But travel was a problem. His nearest airport was in Cedar Rapids, 50 miles away. Also, commercial airlines don't serve all the towns and cities in his market region.

Driving was out. He hadn't the time or energy for long, grueling bouts on the highways.

So he learned to fly. Now he has expanded his business throughout Iowa and into Illinois, Missouri, and Wisconsin. Sales were $1.6 million in 1972. Last year, they were $3.5 million.

Mr. Graber is like a lot of other businessmen.

George Fletcher operates a $2 million electric repair business. He's based in Philadelphia but flies to clients in Maryland, New York, New Jersey, Ohio, Virginia, and elsewhere in Pennsylvania.

Othal Brand runs a $75 million agribusiness from McAllen, Texas. His plane serves as a boardroom while en route to farming operations in the U. S. and Mexico.

Last year may not have been a good one for many businesses, but it was a boom period for makers of light planes.

"Businessmen made 1975 the best year ever for manufacturers of general aircraft," says J. Lynn Helms, president and chief executive officer of Piper Aircraft Corp. "They fly for profit."

Mr. Helms adds that "sales of light aircraft this year should total 15,000. That's 800 more than the industry sold in 1975."

In dollars, that's a 20 percent increase—to $1.2 billion.

Tax Tips From Money Managers

Taxes?

"Many families overpay," says Citibank's publication, "Consumer Views."

It asked bankers and other money managers how they avoid that mistake. Their advice:

1. Keep records written.

"It's the cash expenditures that are hard to keep track of," one says. "Each week, I get about $125 in cash. This includes the cash for carfare, baby-sitter, food, laundry, dry cleaning, entertainment, and any other incidental expenses.

"At least once a day, I write down what I've spent—to the nearest nickel—in a little book I carry.

"During a year's time, a number of items show up that are deductible expenses. Like a cash gift to charity, or a book or magazine I bought because it helps me do my job better."

2. Keep tabs on sales taxes.

"Almost everything your family buys, except maybe food, is subject to a sales tax," says one economist.

"Ask for receipts, and add them up at tax time. My family racks up much more than the Internal Revenue Service tax tables show.

"Same for gasoline. We charge all our gas, and I do much better than the averages shown in the tax tables."

3. Use days of grace.

"Real estate and other local taxes are usually payable on Jan. 1 and July 1, but you are given 30 days' grace to pay," a computer programmer points out.

"These dates also coincide with bank dates for quarterly interest payments. Don't withdraw money from your savings account in advance.

"Hold the tax bill till you collect the full quarter's interest. In day-of-deposit to day-of-withdrawal savings accounts, this is even more advantageous to you."

But tax matters are tricky.

Citibank's last word of caution: "Get professional help."

Look who's buying Amcord stock

Our employees, that's who. Because they know their Company better than anyone else.

But unlike just any other company, our employees have chosen to put their own hard-earned money where their jobs are—in Amcord. Or to borrow from a familiar expression, in a piece of the Amcord rock. And we think this is something to talk about.

Following the recent introduction of the Company's new Stock Investment Profit Sharing Plan for salaried employees, a full three-quarters of those eligible—77% to be exact—signed up to participate. Now that's the kind of commitment that any company should be doubly proud of. Good times or bad.

What's more, over half invested the maximum 4 percent of their salary which, together with Company contributions, is then invested in Amcord common stock purchased on the open market.

They did so because of some other impressive percentages: Amcord's five-year earnings increase of 184%. And a 35% increase in Amcord's dividend rate in the past two years alone.

Employees know what is going on in a company. And our people know that Amcord is strong and getting stronger.

They know that a tough new management team has been built over the past few years. And they know that, with their help, this team has just made its projected earnings goal for the sixth consecutive year.

Our employees know about this ad...they helped to write it. And after all, who knows us better than our employees? Our shareholders, that's who.

W.T. Pascoe, III
Chairman of the Board and
Chief Executive Officer

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I want to hear more about your company and the industries it serves. My card is attached.

(One of a series of advertisements directed at familiarizing the American business and financial community with one of the country's most dynamic manufacturing and marketing corporations)

The Korea

A few years ago it was Hong Kong. Then it was Japan. Then Taiwan.

A few years ago.

Today, in Orient travel, a new idea is emerging.

People are discovering a new kind of experience. A new kind of adventure.

In Korea.

Korea, a lovely and passionate and surprising land, where yesterday and tomorrow live side by side.

So old, yet so new

In Korea, you breathe history wherever you go.

Our culture — part Chinese, part Japanese, but still uniquely Korean — is among the most ancient in Asia.

Korea has over 500 temples. And a legend-misted assortment of shrines, monasteries, castles and museums.

Korean Buddhist monk in gateway on Hein-sa Temple. Located in the countryside northwest of Pusan.

Idea.

It has the tallest Buddha in the Orient. The earliest known totem poles. The world's first iron-clad ship.

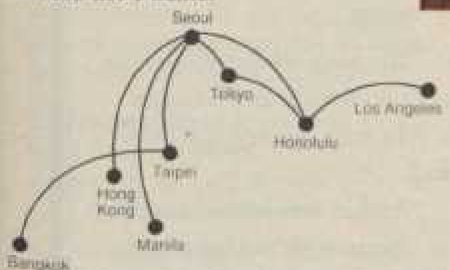
Yet, at the same time, our country has soaring luxury hotels. And swinging nightclubs. And glittering casinos.

Our country is both tranquil and exciting, both ceremonial and contemporary.

Take your pick.

No extra cost

Korean Air Lines will fly you across the Pacific.



In deluxe 747 or DC-10 comfort.

But we'll also give you something that no other airline can offer.

Korea.

You can fly us to Seoul, and at no extra cost, on your way to or from any of our Asian destinations beyond Tokyo.

And that's just the beginning of the bargains.

Your money goes a long way, too.

Korea hasn't gone tourist. Yet.

We have $50 hotel rooms. But we also have attractive $9 rooms.

You can also splurge on a $25 dinner. But you can also feast for $2. And on barbeque beef!

You can take a cab for about one-quarter of the U.S. cost. And



Totem pole guarding entrance to Village near Suwon. Poles date back about 2,000 years.

A colorful replica of Admiral Yi Sun-Sin's famed ironclad turtle ship puffs out smoke during the festival for the Children of Korea.

The traditional mask dance of Korea.

your tip is still received with a grateful smile.

People here love Americans, and they let you know it.

English is understood almost everywhere.

You can boat, hike, fish, camp, golf, ski, ride, hunt, climb, scuba, bar hop, gamble or browse as well as you can anywhere in the world.

The variety is almost endless, and so are the values.

Jade, topaz, fabrics, lacquer ware, leather goods, carvings and tailor-made suits are available for about one-third of what you'd have to pay here at home — and even cheaper than in Hong Kong.

Best of all, you can relax and enjoy yourself as you can nowhere else in the Orient.

That's The Korea Idea.

Beat the crowds.

So far, The Korea Idea is new.

But word has a way of getting around.

Next trip to the Orient, fly Korean Air Lines. And get Korea free.

Before everybody else does.

Our country may be the last great adventure.

FLY KAL KOREAN

Where The Korea Idea begins.

"A man has the right to know what goes into the Scotch he drinks."

—*Sir James Buchanan*

"At The House of Buchanan, we still believe and blend as my grandfather did.

"It is a family tradition.

"A matter of family pride.

"Pride in the excellence of the blend which bears my grandfather's name and mine, *Buchanan's 12.*

Sir James Buchanan (Lord Woolavington) 1849-1935 Founder of The House of Buchanan

"That is why, unlike any premium blended Scotch whisky ever sold in America, we take pride in naming the principal single malts which, among other exceptional whiskies, go into our blend.

"If you know fine Scotch, you will recognize them all.

"And fully appreciate why the whiskies selected combine to set *Buchanan's 12* apart.

"The selection is choice.

"Limited to 12 'Ideals'.

"Each the product of an old, established and well respected distillery.

"Each and every one, from Balmenach through Teaninich, is a Highland whisky.

"And two, Cragganmore and Dailuaine, are cherished products of the famed Glenlivet region.

"Together they combine to make *Buchanan's 12* the 12-year-old blended Scotch with 'a heart of pure Highland whiskies'.

"For no other single-malts but Highlands are used in *Buchanan's 12.*

"If you choose to sample it, you will find it as it was when it began:

"Subtle.

"Light.

"But with tempered mellowness in both body and bouquet.

"In your country, it is dearly priced.

"And in very limited supply.

"Because we neither can, nor will, mass-produce the Scotch that bears my grandfather's name.

"And mine."

James Buchanan

Buchanan's 12. The Blend of Ideals.

Blended Scotch Whisky 86.8 Proof, Heublein, Inc. Hartford, Conn.

BY JAMES J. KILPATRICK

Selling the Profit System to the Young

Some years ago, a quaint custom obtained in American public education. The custom, largely abandoned in these more enlightened days, was for the children to memorize passages from famous poems or dramas. Inevitably, the obedient pupil was led to the works of Alexander Pope, and on some intoxicating morning in spring, when his whole heart yearned for baseball, a boy might be heard reciting:

'Tis education forms the common mind;
Just as the twig is bent the tree's inclined.

In recent months, that verse has been bouncing in my head as insistently as any one of the commercial jingles on TV. Pope packed into those lines a message that might usefully be framed and hung on the walls of every board room in the nation. If I am not wholly mistaken, the first business of American business ought to be: education. Twig-bending. If the business community fails to incline the minds of today's young people toward the profit system, that system may virtually disappear by the century's end.

The free enterprise concept is in trouble. Directly or indirectly, that trouble may be blamed on all of us who love the concept but have neglected it. Some of the problems are substantive—the products that prove defective, the management that proves inept, the industry that succumbs to cutthroat competition from abroad. The problems that concern me here are rather problems of image—the problems that stem from what people, and especially young people, think about American business. The image is not good. We are almost back to Nast's bloated caricature of the robber baron. In the popular view, the typical industrialist pollutes the air, exploits the land, pays bribes, and makes illegal campaign contributions; he wallows in exorbitant profits; he treats his employees not as names but as numbers; he generally can be found lobbying against any legislation for the common good.

It is not enough to protest that such an image is false. A large part of the history of mankind emerges from the adulation paid to false images that were perceived to be true. The image exists. It is a product, to repeat, of our own neglect of the total educative process. The great failure is that businessmen, so skilled at selling everything else, have failed to sell: business.

All right. Every reader of these pages has heard that lecture before. The question is: What do we do about it? And the encouraging answer is that some businessmen—many businessmen—are indeed attempting to do something about it. Across the country, from Tarrytown, N. Y., to San Diego, Calif., efforts are under way to bend a few twigs and to incline a few minds. My thought is that these efforts need to be recognized, emulated, and enlarged upon. The story of Prof. Robert G. Fanelli is not unique, but it will serve as a starting point.

Prof. Fanelli is not by profession a professor at all. He is chairman of Arnold Bakers, Inc. Over a period of several years, like many other American business leaders, he had become increasingly distressed at the antibusiness bias of so many young people. He kept harping on the theme. In May of 1975, when Marymount College in Tarrytown created a business advisory council, he eagerly accepted a chance to be heard in academic circles. One thing led to another. In February of this year, baker Bob Fanelli became a part-time professor, teaching a course that never had been taught at Marymount before. The course is titled, "Corporate Decision-Making."

With the enthusiastic help of other businessmen in the Greenwich-Tarrytown area, Mr. Fanelli is teaching marketing, advertising, capital structure, personnel management, and corporate finance. To be sure, these are familiar subjects in every business school. But in the Fanelli course, the faculty members who teach these classes in the evening have been grappling with these matters in the morning. The students are asked to regard themselves as managers of a hypothetical Summit Baking Corp., of Summit, N. J., with gross annual sales of $79 million and putative profits of $1.9 million. How is such a business managed? How does it earn a profit? What are the practical, everyday problems that must be solved?

I heard about Bob Fanelli's happy experiment in January, and wrote a newspaper column to pass the word along. The column produced an astonishing response. A number of institutions of higher learning reported similar undertakings. Scores of businessmen wrote to say hooray: They would love to be professors also. Several college presidents expressed the same thought in almost identical words: They had long regretted the gap between the academic world and the business world, and

they would be receptive to proposals for bridging it.

One professor on the West Coast, who had entered teaching after 16 years in advertising, described his own experience when he went to a Big Ten university to take his doctorate: "I was shocked at the timidity, lack of experience in the real world, and pie-in-the-sky teaching of professors in the business classrooms. . . . You are quite right, what we desperately need in our classrooms is more experienced businessmen. I do considerable public speaking to business groups and invariably end my remarks with: 'What we need in the classroom is *you*.' (But let's face it, few successful businessmen are going to relinquish all those $$$$ to return to a classroom.)"

Here and there, businessmen are doing exactly that. Like Bob Fanelli and his associates, they are giving of themselves—giving of their own time and talent and energy—to get into the teaching business. A letter came from Joseph C. Hope, chairman of the Department of Business Administration at Azusa Pacific College in Azusa, Calif. He regularly invites corporate executives as guest lecturers on a systematic schedule. Another letter came from Miami University in Oxford, Ohio. There, Jack F. Meyerhoff, chief financial executive of the Brunswick Corp., functions as executive in residence, teaching and talking and listening to students.

Readers who are familiar with Rockford College in Rockford, Ill., will not be surprised to learn of President John Howard's active program there. For the past four years, Rockford has provided student internships in business, industry, and the professions. Last January, 33 students and five faculty members studied the theory of international business and then spent a week at the headquarters of Dana Corp. in Toledo, Ohio.

The Rockford "Register-Republic" carried an account of the experience:

"As news of corporate bribery of foreign governments received headlines this month, 33 Rockford College students traveled to Toledo, Ohio, and came back thinking more highly of big business. . . .

"They toured facilities, were given inside information on the business from the company's top executives. Style and structure, finance, international operations, and marketing were among the topics covered by corporate vice presidents.

"Why did so many busy men take the time to talk to students? 'Business hasn't done a very good job of teaching the community what business is,' explained Frank Voss, Dana vice president of corporate relations. "We have gone to the schools or had them in for one day, but this is the first time the whole company has bared its soul. . . .' "

At San Diego State University, Dr. Jack Haberstroh, associate professor of advertising, has taken a different approach. He formed his class into a legitimate business, "not a pretend business, or make-believe, but a profit-oriented, functioning, advertising agency." He took out a business license, raised a little seed capital from a nominal fee voluntarily paid by his 70 students, and set them to work as members of the Advertising Campaigns Advertising Agency.

Bud Cote, president of Courtesy Chevrolet, handed the neophyte agency its first account, publicizing a semipro volleyball team. Another account came from Nurseryland, which saw a chance to develop a student market. Bill Gamble's Mens Wear contracted for a special promotion. Over the course of the semester's work, the agency had billings of almost $9,000 and ended up with a $300 profit—donated to the San Diego Rescue Mission. Dr. Haberstroh says the students did some fine work; they also made some remarkable goofs; but they learned at least the rudiments of what a professional agency is all about.

All this is twig-bending. All this is the inclining of minds. Surely, it seems to me, the skill and imagination of the American business community lends itself to many such ventures. For too many years, the typical college has looked to the typical businessman for one purpose only: a contribution to the fund to build a new gym. And the businessman has given at the office, and gone home to grouse about long-haired youngsters who cling to the silly notion that business typically earns a 45 percent profit.

The powerful antibusiness currents of the past 30 or 40 years are not going to be reversed overnight. An effective educative effort has to be comprehensive. It ought to start with kindergarten games and elementary readers. It must include courses for the teaching of teachers, along the lines pioneered by Invest-in-America. Efforts of the Chamber of Commerce of the United States are well-known to readers of *Nation's Business*. Much attention has to be given to corporate gifts that are made to institutions of higher learning. The opportunities are endless.

This is no race for sprinters or hurdlers. It has to be run by long-distance runners willing to commit themselves beyond the occasional lecture or guest appearance. But my guess is that many colleges—especially the smaller, community colleges—keenly recognize the imbalance in so much of the academic offering that relates to business and economics. And just as they seek out natives of France to teach French, or natives of Russia to teach Russian, they might welcome professional businessmen as professors of business.

The idea offers an avenue, and those who cherish the profit system have very few avenues left.

WHY BOB RYERSE USES A PITNEY BOWES POSTAGE METER TO MAIL AS FEW AS FIVE LETTERS A DAY.

For 25 years now, the people of Simcoe, Ontario, have been buying their flowers from Bob Ryerse at Ryerse Brothers Flowers on Norfolk Street, North.

The place is a landmark with its breathtaking bloom of azaleas and geraniums planted around the grounds every spring. Bob runs the business with his wife Barb and their teenage daughter, Shelley, who helps out after school.

When Bob and Barb aren't taking care of their customers, they're taking care of their outgoing mail. Correspondence, statements and invoices—it's all essential and it all has to get out. As small as the flower shop is, Bob still found plenty of room to misplace or lose his stamps.

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"Today getting the mail out every day is an easy job," says Bob. "My Touchmatic not only meter stamps and moistens the envelopes fast, but it even keeps an automatic record of what I've spent on postage for the year."

Bob also likes the way the meter stamp can speed his mail through the post office faster, since it's already been postmarked, dated and cancelled.

"Best of all," concludes Bob, "I've never lost, torn or misplaced a meter stamp. And with my postage meter, I always have the right denomination."

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FLEET DIVISION CHRYSLER CORPORATION

A Veto Power for Congress on Regulations?

Who is really responsible for government regulations that businessmen find unduly burdensome and costly?

Don't blame us, say the regulators, we're only carrying out orders that Congress gave us to implement laws it passed.

Don't blame us, says Congress, we never intended to give those agencies authority to go as far as they have in regulating business.

It is no wonder, therefore, that many in the business world feel their companies are coming more and more under the control of unseen, unknown bureaucrats answerable to no one.

Some senators and representatives, responding to constituents' complaints, feel the time has come for Congress to abandon its hands-off attitude toward government by regulatory edict.

A growing number of members of Congress are advocating legislation that would give the legislators authority to veto executive agency regulations. Except in cases requiring immediate action because of danger to life or health, the procedure would work like this: After a regulatory agency issued a new order, there would be a waiting period—60 days, for example—during which Congress could vote to overrule the agency. If there were no such vote, the order would go into effect.

That procedure would place far more responsibility on members of Congress for the manner in which government agencies exercised authority to issue orders.

Those opposed to such a legislative veto procedure say government has grown much too complex to enable Congress—which has more than a full share of major concerns—to analyze the thousands of regulations that pour out of federal agencies every year.

The very purpose of creating a government agency, opponents of a legislative veto say, is to relieve Congress and its committees of the job of writing every detail of how a law is to be implemented.

Advocates of the veto procedure respond that the regulators, under the mantle of relieving Congress of workaday detail, have become legislators in their own right.

What do you think? Should Congress have veto authority over regulations issued by government agencies?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

A veto power for Congress on government regulations? ☐ Yes ☐ No

Comments: ....

....

....

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....

Name and title ....
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Company ....

Street address ....

City .... State .... Zip ....

Readers Are Divided on Revenue Sharing

Nation's Business readers are split almost 50-50 in responses to February's "Sound Off to the Editor" question, "Should the revenue sharing program be continued as is?" The noes have it by a slight margin.

The federal program, scheduled to expire at the end of the year, faces debate in Congress. Some congressmen would like more congressional control of how the money is spent by local and state governments. President Ford would like to see the program extended for six years. Others favor discontinuing the program.

President and Publisher John M. Turner of the "Vinita Daily Journal" in Vinita, Okla., says that if the revenue sharing program halted, "an alarming number of cities and towns would be forced into bankruptcy."

A number of mayors and city councilmen from small towns answer the "Sound Off" question with assertions that revenue sharing money is being used responsibly to benefit their communities. Many say the funds are used for needed street, sewer, housing, and other projects, and for equipment and municipal services not affordable without the program.

Alfred F. Kieser, Jr., president of Grand Valley Insurance, Inc., Mentor, Ohio, says: "As both a businessman and a city councilman, I can see that our cities will experience financial chaos if revenue sharing is discontinued all at once. On the other hand, adding any federal strings will both diminish the purpose and create inequity among the recipients."

Glenn O. Head, chairman of First Investors Corp., New York City, and former mayor of Madison, N. J., says: "Most federal aid programs require extensive reports and analysis. Government units with the necessary staff understand how, when, and where to apply for funds. Skill in application—grantsmanship—is the important factor. Revenue sharing eliminates this needless waste and distributes funds fairly to all."

"The present program is far from perfect," says Jack Kearney, president of K/C Brokerage, Inc., Seattle. "However, if the federal government starts fooling with it, the program will get even worse."

Michael A. Shiff, president of A. S. A. Architects, Inc., Ft. Lauderdale, Fla., says: "It is obvious that the higher the form of government, the less input is allowed from the citizens of this country. At the local municipal level, government by the people is most evident. Allowing the federal government to restrict the use of revenue funds would take yet another decision-making process away from the people."

Among readers answering the 'Sound Off" question with a no, some think that revenue sharing spawns corruption among local politicians and that funds are used for unnecessary projects just because the money is available.

A. N. Oates, president, International Polymer Corp., Houston, says the program should be "discontinued and the money kept in the states in the first place, never getting sent to Washington."

Warren W. Lebeck, president of the Chicago Board of Trade, Chicago, has a more basic objection: The money used for the program should never have gone to Washington, he says, but should have remained in states and localities all along. "The problem is that the route is wrong," he adds. "It is circuitous. Local communities do know their problems better and do not need federal help—especially congressional help—in determining what to do."

Robert L. Barber, director of audit services for Public Service Co. of New Mexico, Albuquerque, agrees. "Revenue sharing has controverted the principle of political accountability," he says. "Local politicians are now able to spend tax dollars without the necessity of levying taxes. Local politicians are now accountable to federal bureaucrats rather than the local citizenry."

J. S. Macpherson, vice president-materiel, Zenith Radio Corp., Chicago, says the program "isn't perfect, but it is a good start to running our country at the state and city level."

Donald J. Kulina, business manager for Canyon State Communications, Inc., Phoenix, says: "The revenue sharing concept is all wrong. If funds are needed by local governments for local projects, let the local government tax citizens directly. Why must my tax dollars go to Washington first? When the local agencies are doing the taxing, the local people have more to say about how it is to be spent. The federal tax bite must be decreased accordingly, however."

Donald E. Young, director of planning for Sperry Vickers, Troy, Mich., suggests an often-mentioned alternative: "Federal taxes should be reduced in the approximate amount projected for sharing. Local taxation should then take over the burden, thereby reducing program administration to only one inefficient government organization—the local one, which is closer to taxpayer scrutiny."

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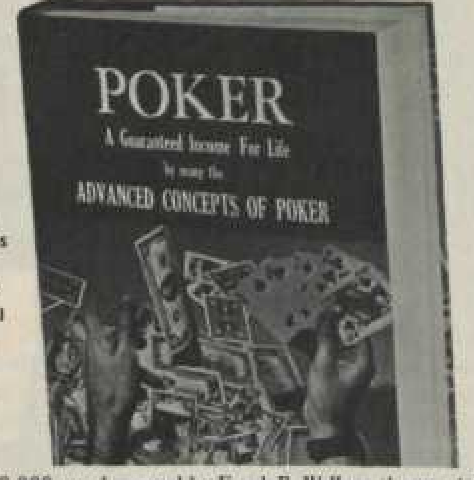

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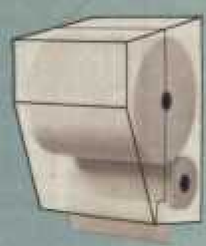

You may be throwing away as much as 25% of what you spend on roll towels in "stub rolls," the leftover towels your maintenance man finds when he refills the cabinets.

When he finds a stub roll, he can leave it in the cabinet and hope it doesn't run out. Or, he can remove the stub roll and put in a fresh roll. If he removes it, you may be wasting as much as 25% of the roll towels you buy.

Now use almost every inch of the towels you buy.

Fort Howard's Commander I Cabinet lets you load a new 700-foot roll while the stub roll—up to 3½ inches in diameter—is still being used. After the stub roll is used up, towels from the new roll dispense automatically. So you use almost every inch of towels you buy.

And because you can get up to 830 lineal feet of uninterrupted towel service, the Commander I can lessen the chance of run-outs and may help reduce your maintenance costs—by requiring fewer refills than single-roll cabinets.

If you'd like to see how our new Commander I Cabinet can help you reduce roll towel waste and provide more uninterrupted towel service, write us on your business letterhead. We'll send one of our sales representatives over with a sample cabinet and a Commander I Savings Scale to show you how much you can save.

You have nothing to lose but your stub roll waste.

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The Waste Watchers.

Comments on Capitalism's World Struggle

Re "Capitalism's World Struggle for Survival" [February], your interview with Daniel Patrick Moynihan while he was still U. S. ambassador to the United Nations.

His remarks are an indication that someone in government and academia understands the alternatives confronting us—private enterprise or a state-run economic system.

I have only two minor points of disagreement.

Both Mr. Moynihan and the interviewer seemed to agree that, while espousing free enterprise, American business constantly seeks government aid in the form of tariffs, subsidies, and other protection. I submit that most such requests come from businesses up against unfair competition from abroad. Many foreign countries, for example, operate or subsidize monopolistic industries that undersell American products in this country.

Mr. Moynihan also notes that unemployment is the great failing of American capitalism. There are some major contributors to unemployment, however, that are not the fault of capitalism. Unemployment benefits and welfare are available to those who quit high-paying jobs. Minimum-wage laws have priced domestic and many other service-type jobs out of the market. There is also a price to be paid in unemployment for the great mobility American workers enjoy.

My principal intention in writing is to laud both your magazine and Mr. Moynihan.

CHARLES R. WEIR
President
Commonwealth Industries
Division of Masco Corp.
Detroit, Mich.

In an otherwise excellent interview, Mr. Moynihan made a common but nevertheless serious error when he said that unemployment is the great failing of American capitalism. Unemployment during the past 50 years has been a consequence of American socialism, not capitalism.

The owners of capital have a very strong economic incentive for a full employment economy. Profits, interest, and rent are highest then.

Government can and does cause wage costs to rise above the value of the output of some workers, which causes unemployment. Government has caused wage escalation by exempting organized labor from anti-trust laws, by shrinking the money supply, by establishing minimum wages, and by imposing such costs as Social Security and workmen's compensation on the employer.

CHARLES K. SEVEN
Grand Rapids, Mich.

A press in trouble

James J. Kilpatrick's column, "Why the American Press Is in Trouble" [February], was first-rate in every respect.

I have one further observation: The skepticism and hostility of the general public toward the press rests mainly on the failure of the press to tell the truth. I mean the practice of quoting alleged reliable sources rather than naming sources.

BILL SWING
Assignment Editor
KATU-TV
Portland, Oregon

Mr. Kilpatrick's article was excellent. I think most people would agree with what he said—except, possibly, for one point he made.

While Mr. Kilpatrick estimated that not ten percent of the American people believed in a free press absolutely, I think the figure should be at least 90 percent.

continued on page 80

A Way to Rebuild Public Confidence in Business

BY PRESTON ROBERT TISCH

Stop worrying so much about image, this businessman urges, and start trusting the public with the whole truth

I OVERHEARD a scrap of conversation between a couple of businessmen in New York the other day. "Confused?" one of them said. "Of course I'm confused. I have a son at Vassar and a daughter at Yale."

Most businessmen are confused. And the source of our confusion is not new. A system that, for 200 years, has worked to produce more freedom for more people and more material progress than any other is in disrepute.

Public hostility toward business is higher than it has been since the great depression. And this at a time when business desperately needs the wholehearted sympathy and support of the public.

Part of this disaffection is the predictable result of uncertain economic weather. Pollsters who measure public sympathy for business have found over the years a close, understandable correlation with the economic indices. When growth rates are high, when employment is increasing, people think business and businessmen are terrific. When growth rates sag and unemployment increases, people's sympathy for business and businessmen declines accordingly.

But today's skepticism about business goes deeper. We cannot expect public sympathy simply to bounce back as the economic indicators move up.

Need for equity capital

Business obviously cannot survive without the public's goodwill. If we are to resume economic growth, we need more capital. To meet our minimum needs for new equity capital, we will have to raise four times as much new capital every year between now and 1980 as we raised last year.

This money must come, ultimately, from individuals. Yet, all told, individuals have sold more stock than they have bought each year since 1961. In three of the past five years, their net sales of equities have exceeded $5 billion a year. Capitalism clearly cannot survive if people choose not to invest in its future.

We need more maneuverability. We need to be free of the aimless, outmoded restraints that sap business's vitality and capacity for innovation. But the thrust of public policy, presidential rhetoric aside, is clearly toward further restraint.

A recent study counted 63,444 federal employees regulating business. But, according to a public opinion survey made last year, 56 percent of the people believe this is "not enough." The people believe there should be even more government regulation of business.

Most businessmen flatly believe that it is hopeless—that the private enterprise era is nearly over. Three fourths of the executives responding to a recent "Harvard Business Review" survey said they do not expect free market ideas to prevail in America in 1985.

Whenever confidence in business declines, we all tend to reach for a patent medicine called economic education. We reason that people are hostile to business because they haven't done their homework—because they are ignorant of the abstractions we call economics.

A partial answer

This premise, on the evidence, is debatable. For one thing, there is no demonstrable connection between the amount of economic education and the degree of sympathy for private enterprise. In fact, some studies indicate that the people with the most formal training in economics have the least sympathy for business.

I do not advocate economic igno-

rance. I want simply to indicate that economic education is, at best, a partial answer to the problem.

The problem is more severe than it has ever been before. People no longer believe what businessmen tell them. There is a crisis of credibility. Businessmen were once the most believable spokesmen on public issues. Businessmen outranked politicians, labor union leaders, and even ministers of the Gospel by a substantial margin. But businessmen have lost that advantage. Now, along with every other major leadership group in America, we have lost the confidence of the American people.

Faith in institutions

To a degree that the most confirmed pessimist could not have predicted even ten years ago, Americans have lost confidence in most of their institutions.

This is a new phenomenon. In the past, confidence in business tended to move inversely with confidence in government. Now, we are all in the same uncomfortable boat.

The University of Michigan Survey Research Center periodically asks people to rank government economic policy as good, fair, or poor. "Increasingly, the answer we get," says a Michigan researcher, "is just plain laughter."

The crisis of credibility has some bizarre consequences. A significant number of Americans, for example, believe the moon landing was faked in a television studio.

In much the same way, most Americans have lost confidence in the economic experts. One recent survey indicated they did not believe the recession had bottomed out, in spite of the evidence. Their pessimism could itself have retarded recovery.

Big equated with bad

Big business, big government, and big labor are increasingly lumped together, labeled The Establishment—and written off. A white southern working man told psychiatrist Robert Coles: "I don't believe 90 percent of what they say. I guess they look down on the ordinary working man. I guess they don't trust us. I guess they figure they can con us all the time."

In 1960, according to pollsters, 17 percent of Americans believed government to be "run by a few big interests looking out for themselves." Since then, that percentage has more than tripled. Fifty-three percent of the people believe American government is not run in the public interest.

As a result, people are withdrawing their participation from the American institutions which have traditionally drawn their strength and stability from broad participation.

The pollsters are beginning to perceive a trend which overrides the shifts from one political party to another. People are, in increasing numbers, opting out of the political process altogether. Millions, literally, are consciously deciding not to vote. In the last congressional elections, 62 percent of the nation's eligible voters stayed home.

Those who boycott politics

Our first impulse is to write this phenomenon off to apathy. But pollsters who interview those who are boycotting politics are finding that it is not apathy but a conscious decision not to participate. "Don't blame me," the bumper stickers proclaim, "I didn't vote."

In other words, people are beginning not to vote because of gathering belief that their votes will make no difference. In 1966, 37 percent of the people doubted their ideas made a difference. By 1973, 61 percent of the people in the land of the consent of the governed told pollsters that what they thought "doesn't count much anymore."

This is something to worry about. A society which believes decisions

"I believe we in business need to spend less time thinking how we might alter what we say to the public and more time thinking through how we might alter our attitudes toward the public."

"When a significant number of people come to believe that they cannot, by peaceful means, influence the events that vitally affect their lives, a deranged minority will twist that circumstance into an excuse for terrorism."

that vitally affect it are beyond its control is dangerously unstable.

I think there is a direct connection between the alarming increase in political violence and the mounting unresponsiveness of American institutions. When a significant number of people come to believe that they cannot, by peaceful means, influence the events that vitally affect their lives, a deranged minority will twist that circumstance into an excuse for terrorism.

I don't for a moment mean that we should condone or excuse political violence. I say simply that we should acknowledge its cause.

Contrived populism

I don't know all the causes behind the credibility crisis, but let me suggest one. Leaders in almost every field—including business—have fallen into a habit of thinking of public opinion as something to be molded and manipulated for their own purposes. They do not tell the truth; they tell a carefully varnished version of the truth—designed to produce a predetermined result.

Sociologist Robert Nisbet calls this phenomenon contrived populism.

Twenty years ago, we were all bewitched by the concept of corporate image. Motives were innocent enough in the beginning. It makes perfect sense to find out as accurately as possible what the public thinks about a company or a product or a candidate for Congress. And it makes sense to respond to public priorities, to correct misconceptions, to present oneself to the public accurately.

But then we began to perceive that image could be separated from reality—that an image could be shaped independently of reality. A dozen years ago, a professional campaign manager boasted that he could elect anyone to any public office, given only a sufficient budget and a solemn pledge from the candidate to keep his mouth shut.

Authenticity of image

Business began to concern itself not with how to present itself to the public most accurately, but whether to maintain a high profile or a low profile. We began to think more about the impact of alternative synthetic images than about the authenticity of our image.

And so those of us in business—whether we like it or not or whether we deserve it or not—find ourselves bracketed in the public consciousness with the politicians and planners who make decisions in secret, who shade the truth, who view public opinion as something to be managed and manipulated.

This political secrecy and tampering with facts is based on a subliminal suspicion that the public cannot be trusted with the whole truth.

Reshaping the truth

For example, a principle firmly embedded in the conventional wisdom is that governments cannot afford to tell the public the whole truth in time of war. Only lately have we begun to examine the secondary consequences of this policy. Phillip Knightley published a book last fall titled "The First Casualty," a careful chronicle of government wartime news management.

In and between the lines of Mr. Knightley's book we can begin to see what happens when governments—whether our own or our enemies'—decide to reshape the truth.

Consider the course of our own foreign policy. Experts in and out of government have taken the view that the general public could never grasp the complexities and subtleties of international power politics. Public opinion was too "erratic and subjective." The public was, according to Walter Lippmann, "too pacifist in peace and too bellicose in war." Public opinion had to be carefully molded to conform to the more informed judgments of the professionals.

But now, in retrospect, we see that the reverse may be true. What appear to be the most disastrous foreign policy decisions—the Bay of Pigs, the sending of troops to Santo Domingo and Vietnam—were not made in response to inflamed and irrational public opinion. On the contrary, these decisions were made without prior public ventilation and debate.

Disastrous side effects

Please do not misunderstand me. I do not say that the majority of Americans can't be wrong. I say simply that the opposite premise—that the public cannot be trusted to make

sensible judgments on complex issues—is at best unproven. Moreover, the side effects of excluding the public from vital decision-making can be disastrous.

Is it any wonder that the public now distrusts the government which did not trust the public enough to tell the whole truth about our involvement in Southeast Asia?

Or, take economic policy. The premise of our policy-makers is that the complexities of economic forces are beyond the cerebral reach of any but the specialists. But, according to the University of Michigan survey of consumer attitudes, the majority of Americans expected the recession for a year before many economic specialists acknowledged that it was going to happen.

Views on New York City

The source of New York City's fiscal difficulties is not that the people of the city blindly demanded more elaborate and expensive public services than the city could afford. In fact, the costs and consequences of the city's activities were never made clear to the people.

All our participatory institutions—political, economic, and social—are based on the idea that informed people will, on the whole, make responsible choices. For example, that fully informed consumers will, on the whole, make responsible consumer choices; and that fully informed shareholders will, on the whole, make responsible investment decisions.

We are learning the hard way that our system, the anniversary of which we are now commemorating, will not work if we continue to think of public opinion as something to be shaped to some self-interested purpose.

Informed consent

We are discovering that a government based on the consent of the governed will not work if that consent is not a fully and frankly informed consent.

And we in business are discovering that an economic system that depends on widespread participation by consumers and shareholders will not work unless these participants are fully and frankly informed.

As always, we are overwhelmed by crises. There is the energy crisis, the economic crisis, the balance-of-payments crisis. But I believe that responsible solutions to all these real or imagined crises require that we give a new priority to solving the credibility crisis.

It is, for example, premature to talk about economic education when people don't believe what businessmen say. It is premature to talk about a responsible consensus on energy policy when the public has no faith in the facts presented to them by either business or government.

It is premature to talk about dealing with political violence until we understand the causes of political violence.

Restoring confidence

It is premature to begin to rebuild a sensible consensus on foreign policy until we restore public confidence in the facts that must form the basis for a sensible foreign policy.

I believe we in business need to spend less time thinking how we might alter what we say to the public and more time thinking through how we might alter our attitudes toward the public.

If the leaders in a participating society lose faith in the people, the people will inevitably lose faith in their leaders. And, that, it seems to me, is what has happened in America.

If business leaders want people to believe in them, they are going to have to learn to believe in people.

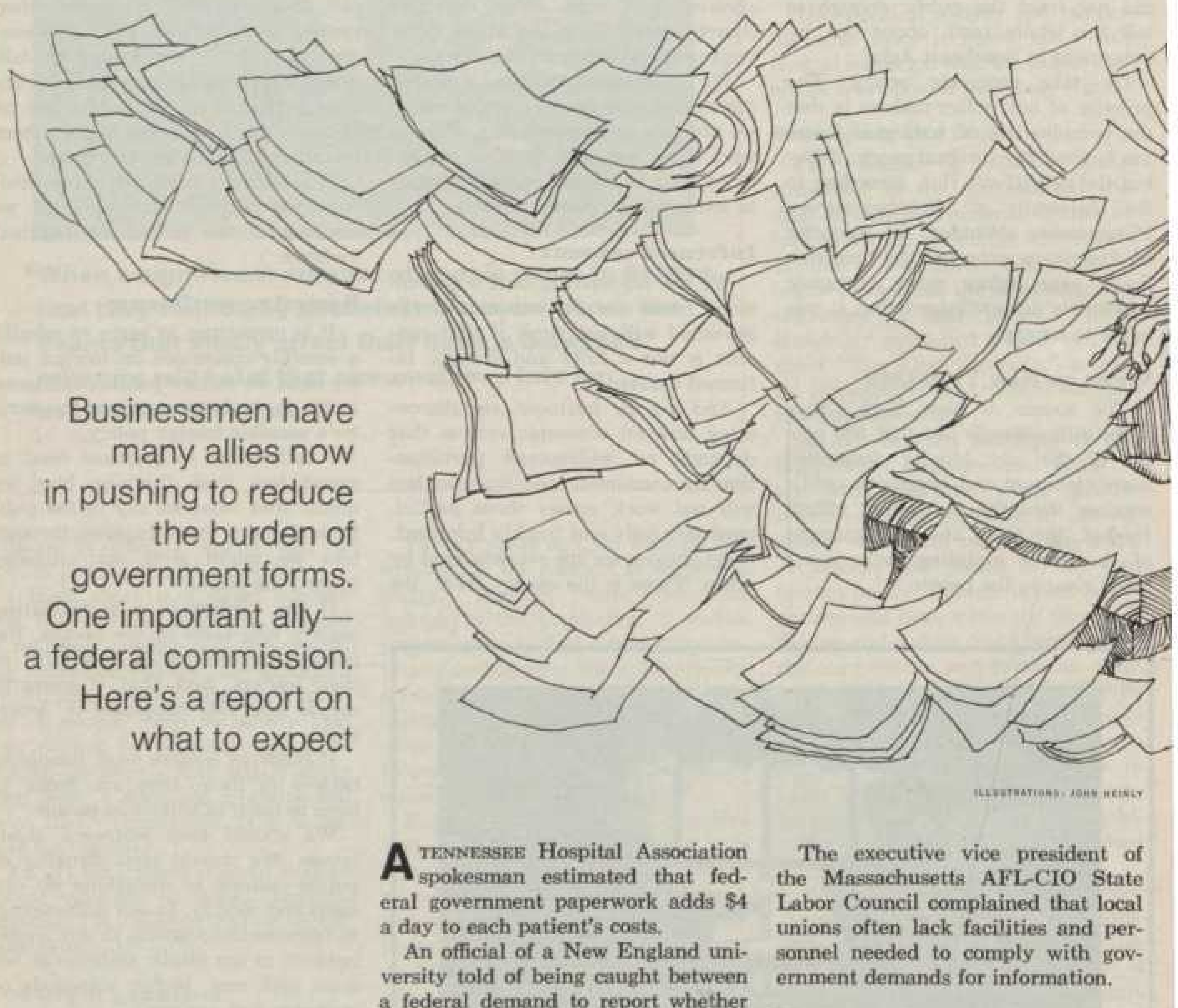
We should stop worrying about image. We should stop thinking of public opinion as something we can mold and modify. In our advertising, in our communications to our shareholders, in our public statements, we must seek new, higher standards of openness and accuracy.

That, in my opinion, is the solution to the current credibility crisis—and there is no short-cut. END

"Those of us in business . . . find ourselves bracketed in the public consciousness with the politicians and planners who make decisions in secret, who shade the truth, who view public opinion as something to be managed and manipulated."

MR. TISCH *is president of Loews Corp. and chairman of the executive committee of CNA Financial Corp., which Loews recently acquired. This article is based on a speech before the Executives' Club of Chicago. Reprints of the article are available from Nation's Business. See page 53 for details.*

New Hope for a Real Federa



Businessmen have many allies now in pushing to reduce the burden of government forms. One important ally—a federal commission. Here's a report on what to expect

A TENNESSEE Hospital Association spokesman estimated that federal government paperwork adds $4 a day to each patient's costs.

An official of a New England university told of being caught between a federal demand to report whether job applicants are members of minorities and a state agency rule prohibiting employers from obtaining such information.

The governor of Kentucky spoke of "this massive paperwork that is destroying all of us."

A municipal public works director in California reported receiving a federal directive to list occupants of a federally assisted housing project three years before the buildings were to be ready for occupancy.

The executive vice president of the Massachusetts AFL-CIO State Labor Council complained that local unions often lack facilities and personnel needed to comply with government demands for information.

Fast-growing movement

These individuals from highly diverse backgrounds are part of a new revolution shaping up in this bicentennial year. There is a fast-growing movement against government paperwork demands that can involve tremendous expense and often contradict or duplicate each other.

For decades, the business community was almost alone in efforts to spotlight the paperwork problem. Businessmen decried the headaches

Paperwork Cutback

government paperwork was giving them, and they pointed out what they felt was its unwarranted cost to the economy in terms of man-hours diverted from the principal function of a business.

Then, others joined the chorus of complaints about paperwork as the federal bureaucracy expanded into more and more areas of American life. Business now finds itself with allies who include labor leaders, workers, educators, state and local government officials, and many others.

The shape of public opinion on the paperwork issue is being demonstrated for the Commission on Federal Paperwork.

That panel, created by Congress, is in the early stages of a two-year assignment to investigate the paperwork problem and propose workable steps for solving it.

Why there's hope

The commission is holding public hearings in cities throughout the country, and it was in such sessions that commission members heard not only from businessmen but from the Tennessee hospital group spokesman and the many other nonbusiness witnesses.

Rep. Frank Horton (R.-N. Y.) is chairman of the 14-member commission, and Sen. Thomas J. McIntyre (D.-N. H.) is No. 2 man. The commission also includes Internal Revenue Commissioner Donald C. Alexander, Comptroller General Elmer B. Staats, Office of Management and Budget Director James T. Lynn, Sen. William Brock (R.-Tenn.), Rep. Tom Steed (D.-Okla.), Gov. Otis R. Bowen of Indiana, and representatives of business, labor, and local government.

What's likely to result from the commission's work?

NATION'S BUSINESS asked Chairman Horton to comment, first of all, on why the current effort to cut down paperwork should be more successful than other efforts going back to 1942.

"I don't think anybody before has attacked this problem across the entire federal spectrum—Congress, the White House, the federal agencies," Rep. Horton replied. "Until now, there have only been piecemeal efforts here and there—a special project in an agency, perhaps, or a few steps by Congress toward recognizing that the paperwork problem was something that needed attention. This commission is looking at the problem in its entirety.

"Also, there's a tremendous reaction to the paperwork situation now. I hear from other members of Congress every day. They want to know what they can tell constituents who are protesting about government paperwork. President Ford has indicated his strong support for what we are doing. People in the executive agencies are following his lead.

"So we now have this public demand, and we have the President and top people in Congress and in the agencies behind this commission. And the commission is determined to do something about this problem."

Finding the culprits

What approaches is the commission taking?

Chairman Horton: "We want to know who is responsible for originating paperwork demands. Congress is partly responsible, and we want to know to what extent. One survey we made turned up 12,000 different laws with reporting requirements in them. If paperwork demands are created by federal agencies, we want to know that, too.

"We are looking for basic, underlying causes. We're not out just to eliminate forms. Simply getting rid of forms is like pulling up weeds without getting the roots. The forms—like the weeds—grow right back again.

"What we want to say to anybody who sets out to create more paperwork, whether it's Congress or an administrative agency, is this: 'Think about what you're doing. If you do nothing else, stop for a few minutes and ask whether that information is really needed, whether it isn't avail-

able somewhere else, whether any benefits will outweigh the costs you are imposing.'"

What the results will be

What are some of the recommendations the commission is likely to make by its deadline of Oct. 3, 1977?

Rep. Horton sees these developments ahead:

• Designation of specific individuals within each federal agency to review and analyze present and proposed paperwork requirements to make sure they are necessary and don't duplicate others.

• A requirement that all legislation introduced in Congress carry a paperwork impact statement which would indicate how much of a reporting burden the law would impose and what the cost would be.

• A central clearinghouse to issue and receive all federal forms designed to obtain information from businesses, individuals, state and local governments, or organizations. Today, businesses and others often have to fill out forms from different agencies that ask for similar information. One function of the clearinghouse would be to eliminate such duplication.

• A permanent commission or other entity to keep its eye on Congress and federal agencies, once paperwork forms have been instituted, to make sure there is no backsliding.

A CHANCE FOR YOU TO BE HEARD

Would you like to submit your views personally to the Commission on Federal Paperwork? The commission will be holding hearings in the following cities on the following dates:

Atlanta—April 13 and 14

Washington, D. C.—April 29 and 30

Des Moines—June 15 and 16

New York—Sept. 8 and 9

Washington, D. C.—Oct. 28 and 29

Dallas—Nov. 16 and 17

The commission will hold additional hearings in Bloomington and Lafayette, Ind., June 1 and 2, but which city will have a hearing on which date has not yet been determined. Also, the commission expects to hold hearings somewhere in Oklahoma at some time in July.

For details and to arrange to testify, write the Commission on Federal Paperwork, 1111 20th St. N. W., Washington, D. C. 20036.

Instead of testifying yourself, you may wish to submit material to the Chamber of Commerce of the United States for use in a presentation the National Chamber will make to the commission. Send examples of problems federal reporting requirements pose for you; include recommendations. The National Chamber will keep your identity confidential, if you wish.

Write: Government Paperwork Information Exchange, Attn. James F. Steiner, Chamber of Commerce of the United States, 1615 H St. N. W., Washington, D. C. 20062.

The first step

Some of the commission's recommendations would require action by Congress; others would merely require acceptance by the executive branch. Appointment of individuals within each federal agency to try to curb paperwork falls in the second category and is expected to be the first procedural step. Discussions on how to organize such a system are now being held by Rep. Horton, Comptroller General Staats, and OMB Director Lynn.

The commission's public hearings are producing the strongest type of evidence that concern over the paperwork problem cuts across every segment of American life as well as the entire spectrum of business.

D. J. Mahrer, senior assistant controller for the Aluminum Co. of America, termed a fallacy the idea that major corporations, with large legal and accounting departments backed up by sophisticated computer systems, are not particularly concerned by paperwork demands.

"No enterprise engaged in the sharply competitive struggles common to business today can afford the luxury of more employees than it needs," Mr. Mahrer said.

Destroying pension programs

He said, moreover, that "you can't get something out of a computer that isn't already in there; and, all too frequently, information required by the government is neither needed nor compiled by a company."

As a result of government paperwork requirements, Mr. Mahrer said, "private enterprise is forced to divert staggering amounts of dollars and man-hours from its central business to the function of reporting to government on every conceivable activity. These demands are particularly troublesome during times such

as this, when business is straining every resource to emerge from the recession."

The impact of paperwork demands on workers as well as companies is being vividly demonstrated by experience under a 1974 law establishing federal regulation of employee pension plans.

A 1972 study had shown that, of more than 30 million workers in private industry covered by pension programs, fewer than 20,000—a tiny fraction of one percent—had lost coverage when their employers went out of business, merged with other companies, or terminated pension programs for other reasons. Congressional debate leading to passage of the 1974 law focused on this relative handful of terminations.

When the law took effect and employers saw the massive amount of paperwork and other regulatory demands involved, many felt they had no alternative but to drop pension programs or to cancel plans for starting programs.

Pension programs covering as many as five million workers have been dropped so far.

Oliver Ward, president of Germanium Power Devices Corp., Andover, Mass., and current president of the Smaller Business Association of New England, told the commission that the requirements of the pension reform law "are so burdensome and so costly that we have decided not to have one pension program and will in all likelihood terminate another.

"Where I have a choice, and I do in this instance, I will simply not put up with annoying and burdensome bureaucratic instructions. We will also make it clear to our employees that it was the actions of their government which caused the termination decision to be made."

Separate probe of OSHA

The fact that the so-called pension reform law, which was aimed at protecting workers' retirement benefits, is having the opposite result for so many drew an unhappy comment from James D. Hutchinson, Labor Department administrator of pension and welfare benefit programs.

"The overwhelming public and congressional support for the concept of pension reform may well have clouded the judgment of individuals" involved in drafting a law, he said.

Responded Sen. McIntyre: "The same thing is true of the Occupational Safety and Health Act. Everybody voted for that, and when the Department of Labor got hold of it and started putting regulations out. . . . You ought to walk the streets of New Hampshire some time and talk to small business people about what they think about OSHA."

The regulatory demands of the safety and health act will be the subject of a separate investigation by the paperwork commission this spring.

A break for business now

Although most of its work is still ahead of the commission, Chairman Horton points to something it has already achieved.

Congress has passed legislation introduced by Sen. Brock to allow employers to file part A of Form 941, which deals with Social Security for employees, on an annual instead of a quarterly basis. The change will become effective over a two-year period.

The result, Mr. Horton says, will annually save private industry up to $275 million and the federal government $20 million, and it will eliminate consumption of paper that, if stacked up, would yearly be two miles high—19 times higher than the Washington Monument.

Small progress, given the fact that there are at least 8,000 varieties of federal forms, that the government sends out ten billion copies of forms each year, and that it annually costs $40 billion to mail, process, fill out, file, and store them.

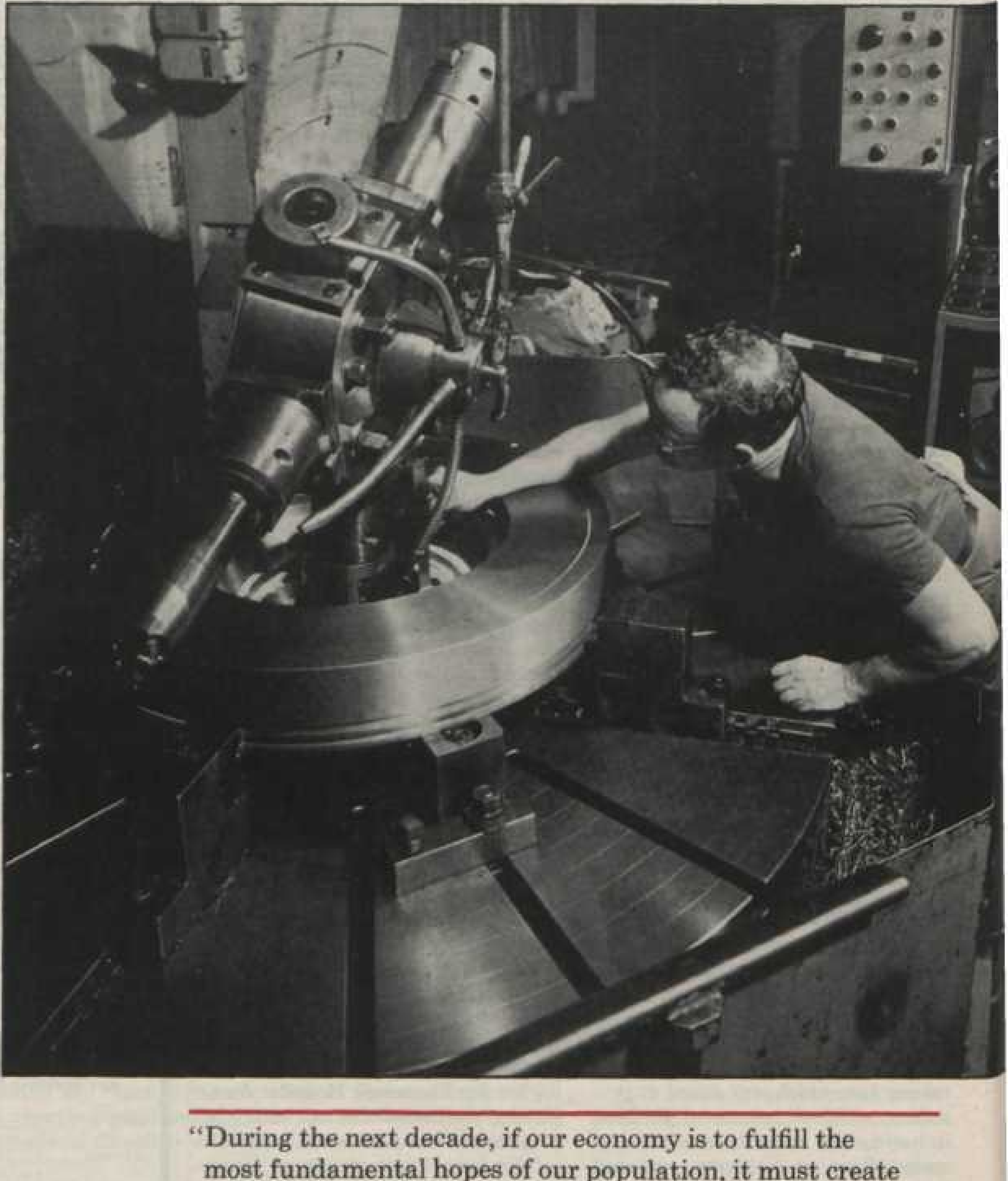
Nevertheless, eliminating a two-mile stack of paperwork is a good beginning, the chairman says.

No one is seriously suggesting that all or even most federal paperwork can be abolished. But most businessmen agree with J. D. Elliott, speaking for the Tennessee Hospital Association, that something can surely be done about a situation in which:

"We have forms on top of forms, reports on top of reports, auditors checking auditors, validators checking validators, and inspectors on top of inspectors. And all this is growing by the week." END

How to Create New Jobs

PHOTO: CHARLES E. ROTKIN—PFI



"During the next decade, if our economy is to fulfill the most fundamental hopes of our population, it must create almost 20 million new jobs—an increase in total employment of almost 25 percent and the biggest single increase in our history. By contrast, during the past decade—years marked by economic growth—13 million new jobs were created."

and Check Inflation

BY WILLIAM E. SIMON
Secretary of the Treasury

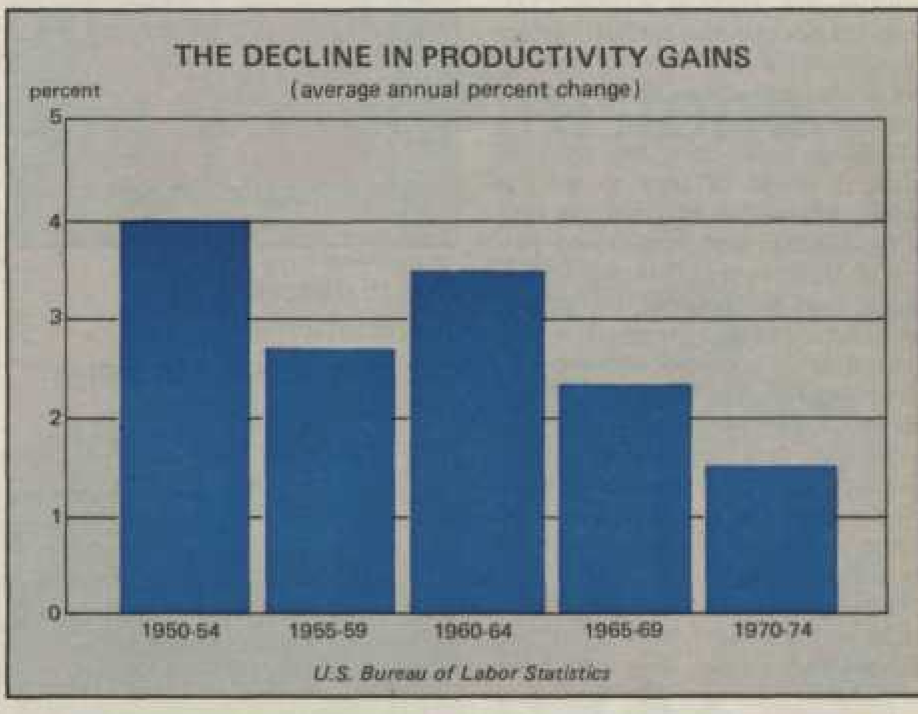
LOW PRODUCTIVITY weakens the nation.

If productivity is low, industry is prevented from creating new jobs needed for a growing population. Inflation pressures are created. The level of living is undermined.

The problem of low productivity can be solved. But, in order to solve it, we have to wake up to the fact that capital investment is a key to industrial productivity.

When sufficient capital is accumulated and invested in plant and equipment, productivity rises. When there is a lag in capital investment, productivity grows more slowly, and industry and the economy are in trouble.

The thing for us to do, then, is to think through what is required to create conditions that make saving and investing worthwhile and to plan and work in that direction.



"The biggest disappointment has been the slowing down of gains in worker productivity. . . . We cannot afford to be complacent. We cannot overlook the fact that productivity, after all, is the basic source from which real living standards are derived."

It could happen here

To illustrate the point, here is something that happened in England. A while back, the British government cut off its subsidies to a manufacturer of motorcycles. Without subsidies, the company was quickly forced to shut down two of its three plants. In a free market, the company was no match for its Japanese competitors.

To some businessmen, this story might have the familiar ring of another company driven to the wall by low-cost foreign competition. In this case, however, the story contained a surprising twist. The Japanese workers were actually receiving higher pay than their British counterparts; they simply had more productive tools.

In the British motorcycle plant, the average production was fewer than 20 motorcycles a year for each worker; in the Japanese plant, the average was about 200 motorcycles a year for each worker.

The British company, unfortunately, was building motorcycles with antiquated machinery. The machinery which the Japanese had at their command was the newest and the best.

Over the years, the British company had invested about $2,700 per employee in plant and equipment. The Japanese had invested four times that much.

Concern about the future

In a world where new technology is at the heart of economic growth, it is clear that the margin between success and failure is determined, far more than most people realize, by the degree to which we are able, as well as willing, to save and invest in the future.

In recent months, there has been growing public concern about the future capital needs of the U. S. economy. Many serious observers have concluded we are heading toward an era where a gap will exist between the capital provided and that which is necessary to achieve our fundamental desire for more jobs, less inflation, and greater prosperity.

I believe the problem is more immediate. The capital problem is not something out there on the distant horizon. It is here. And it is already

having a marked effect on the performance of American industry.

To a large extent, the inadequacy of our past investment—as well as the need for future investment—has been masked by the recent recession. After all, how can there be a capital gap when so many of our productive facilities are effectively idle? Yet, when the shorter run cyclical factors are stripped away, there is persuasive evidence that capital investment problems exist now.

Looking back over the past 20 years, it would be easy to get the surface impression of great stability in the savings and investment pattern of U. S. output. We see, for instance, that savings and investment have consistently averaged a bit more than 15 percent of gross national product. On the basis of just this one figure, we might be tempted to conclude that investment has been adequate, that there have been sufficient outlays for new productive facilities, and that financial markets are working well.

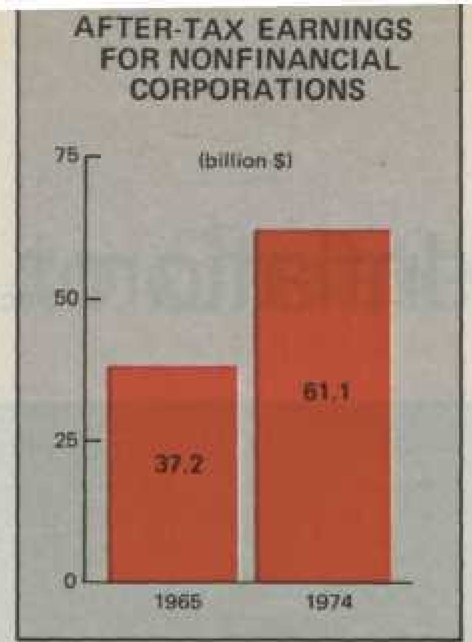
Unfortunately, the fact is that past levels of investment have been less than desired. Indeed, they have been the lowest among the developed countries in the western world. And the results have been showing up in important ways.

Biggest disappointment

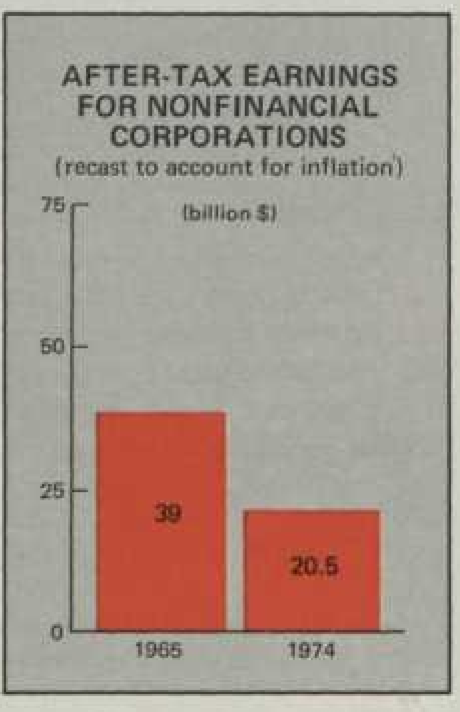
The biggest disappointment has been the slowing down of gains in worker productivity. From 1948 through 1954, output per man-hour in the private economy rose four percent a year. From 1955 through 1964, it rose 3.1 percent and from 1965 through 1969, 2.3 percent. From 1970 through 1974, it rose only 1.5 percent, and in 1975 the increase was a disappointing 1.4 percent.

These, then, are the signs of the times. We cannot afford to be complacent. We cannot overlook the fact that productivity, after all, is the basic source from which real living standards are derived.

Other measures of economic performance have also been cause for concern. From 1970 through 1974, after-tax profits averaged only 4.8 percent of the GNP compared to 5.6 percent for the 15-year period prior to 1970.



Due to distortion of depreciation and inventory value, Mr. Simon says, true profits have been overstated.



It is fair to say that the U. S. has been in a profit depression. That's only part of the story.

While profits were going down, consumer prices were going up. From 1970 through 1974, the consumer price index rose an average of 6.1 percent a year as compared to an annual 2.1 percent for the 15-year period prior to 1970.

The period from 1970 through 1974 was, in fact, the worst five-year period since World War II for both profits and prices.

In other words, diminished productivity increases inflation and decreases profits—neither of which developments is a sign of a vigorous and healthy economy.

Growth of labor force

The labor force has had a record growth in recent years, and capital investment has not kept pace. There has been a sharp decline in new capital per worker. From 1961 through 1965, almost $77,000 of real capital—in 1972 dollars—was added per new worker. By the five years ending with 1975, this had fallen to only $67,000.

This is not to imply that new capital per worker is the only source of productivity gain. It is not. Other factors that help produce improvements in productivity include new technology; the shift in the composition of output, especially away from agriculture; the accumulated base of goods; the health, skills, and competence of the labor force; the availability of transportation, communication, financial, and service facilities; access to raw materials; the stage of the business cycle; and the proportion of output devoted to research.

Still, basic to everything else, capital investment is the driving force behind higher productivity. We must not for a moment forget this, if we want to maintain our industrial leadership in the world and our strength as a nation.

Present trends do not, of course, mean that the U. S. is no longer an efficient or competitive producer. It is. What the trends do mean is that we cannot take our growth for granted. Only by investing a sufficient amount of capital will we have more jobs, higher real output, lower inflation. And it must be the right kind of capital investment.

Spending for environment

A fair amount of recent capital investment has added very little to the actual productive ability of workers. Expenditures required by law to clean up the environment and to bring about safer working conditions

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have accounted for a growing share of business capital outlay.

In 1974, for example, about eight percent of all spending for new plant and equipment in manufacturing was accounted for by environmental control expenditures. In the iron and steel industry, the figure was 12 percent; in the paper industry, it was 19 percent. Additional amounts were spent to comply with Occupational Safety and Health Administration regulations.

This is not to suggest that these expenditures were ill-advised. To the contrary, it is clear that industry bears a heavy responsibility in this area to its employees and to society. In measuring levels of investment, however, we must be careful to distinguish between expenditures which will raise the productivity of the company and those which are devoted to other purposes.

Perhaps the most obvious manifestation of inadequate investment occurred in 1973, when serious capacity shortages developed in several key industries during the height of an economic boom. These strains were partly attributable to earlier wage-price controls and jawboning and partly to current inflation and unsatisfactory fiscal and monetary policies in Washington. But no matter the cause, many industries bumped up against productive limits much earlier in the boom than originally expected, and prices were jolted upward throughout the economy.

Problems in money markets

Industry is facing growing difficulty in trying to finance modernization and expansion in the financial markets. High rates of inflation and past misguided government policies have put great pressures on our financial mechanism. The problem has become particularly acute over the past decade and has been spreading. To a large degree, part of the deterioration is hidden by the swing to liquidity caused by the recession. Such cyclical rebuilding of balance sheets is common, but the long-term trend is clear. To be specific:

- Access to the long-term public bond markets, for all practical purposes, is still limited to top-rated companies. The flight to quality has been pronounced. With few exceptions, a company with less than a prime rating has difficulty in tapping the long-term public debt market as a major source of funds. Marginal companies, new growth companies, and even solid companies with less than an A rating do not have the same ready access to the long-term sector that they had five or ten years ago.

- Lenders are increasingly reluctant to make long-term commitments, and borrowers, too, are reluctant to take on very long-term, high-cost debt. Many more new securities today are of intermediate duration—that is, seven to ten years—rather than of long-term duration, 25 to 30 years, which was the rule not long ago.

- Whole industries, such as the airlines and the utilities, are faced with serious financial problems.

- Some state and local areas are under intense and increasing financial pressure.

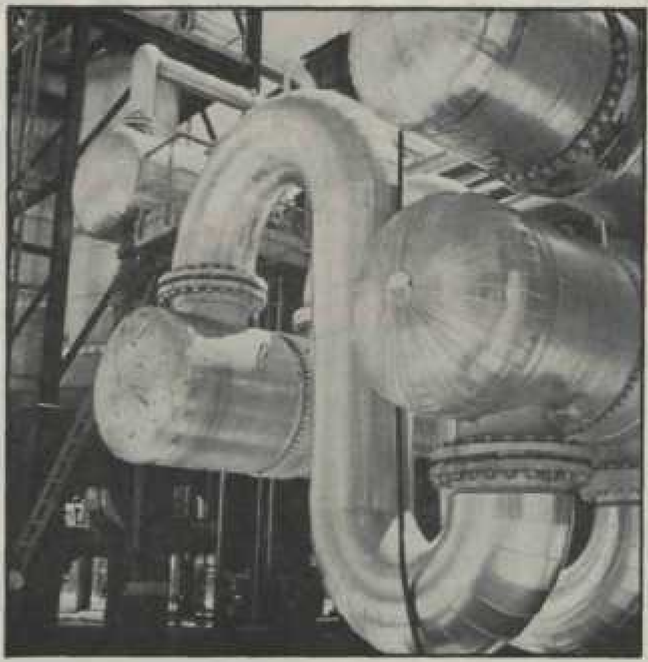
- The quality of loans and investments and the equity base of many commercial banks have deteriorated in recent years so that the availability of credit for further long-term business expansion could easily be curtailed.

Sharp erosion in profits

Because of the sharp erosion in profitability over the past decade, business has been compelled to raise much more of the money it needs for expansion from external sources. At the same time, the government has been drawing on financial markets much more heavily in order to cover its chronic deficits. This has led to accelerated inflation and record interest rates.

Unfortunately, inflation has distorted two parts of the corporate balance sheet: The value of inventories has been overstated and depreciation understated—based on historic rather than replacement cost. As a result, there has been a substantial overstatement of true gain in corporate profits.

In 1974, reported after-tax earnings for nonfinancial corporations were $61.1 billion, compared to $37.2 billion in 1965, an apparent increase



More than $1.5 trillion was invested in America's plants and equipment from 1965 through 1974, Mr. Simon says, but a sum at least three times as large will be needed in the next ten years.

of 64 percent. But when the inventory and depreciation costs are recast to account for inflation, the figures are $39 billion of profits for 1965 as compared to $20.5 billion in 1974—a decline of $18.5 billion, or 47 percent.

Heavy external financing

When dividends are subtracted from these adjusted profits, the resulting retained earnings have, in fact, been quite small, especially in recent years. Indeed, the level of adjusted retained earnings in 1974 was negative. That means there were not enough internal funds in that year to finance the capital used, let alone any investment in additional productive capacity.

To expand real productive facilities, funds had to be raised externally. From 1955 through 1964, the amount of capital funds raised externally by corporations averaged about 33 percent a year; in 1974, no less than 60 percent of all capital funds were raised externally. At the same time, the trend of interest rates has been sharply rising, despite cyclical declines in 1967, 1971, and 1975.

No less serious in this pattern of financing has been a heavy reliance on debt rather than on equity funds. This trend developed because debt financing was for a long period relatively inexpensive, with less uncertainty about placement. Furthermore, interest payments were tax-deductible while dividends were not. Since corporations can deduct interest payments but must subject their dividends to double taxation, they have naturally been encouraged to draw more and more heavily upon borrowed funds. And their fixed interest commitments have made our financial system less flexible and more vulnerable to economic shocks.

From 1965 through 1974, nonfinancial corporations raised a total of $263.3 billion of long-term funds—82.4 percent of which was long-term debt. The balance sheet impact of this was to cause the amount of outstanding long-term debt to rise from $141.4 billion to $358.3 billion over the same time span—a 2½-fold increase in just ten years. Clearly, the preference for debt financing is strong, and the magnitude of the increase is worrisome.

Not only did the amount of the debt increase substantially, but the cost of the debt also increased greatly. Yields on new issues of high-grade corporate bonds rose from an average of 4.5 percent in 1964 to 9.4 percent in 1974.

Obviously, there is no single level where the financial structure suddenly becomes too inflexible, but an ever-higher burden of debt commitments relative both to financial assets and to income is definitely a matter for careful thought.

More short-term debts

At the same time that the corporate balance sheet is becoming highly leveraged, the average maturity of the debt is becoming shorter. Corporate treasurers will have to make more frequent trips to the financial markets, where—as I mentioned earlier—fewer and fewer companies are finding their securities welcome.

Under these circumstances, it is hardly surprising that maturities on debt are becoming shorter and shorter. At the end of 1964, one fifth of the debt of nonfinancial corporations was short-term. A decade later, short-term debt had risen to more than a quarter of the total. At the same time, liquidity was falling sharply in relation to short-term debt, indicating that both the liquidity and maturity structure of American business have become more risky.

Furthermore, the share of the corporate bond market for the lower-rated issues—Baa or less—has diminished. Demand for quality, relatively short maturity, and long-term lending only with stiff call provisions as a protection to the lender are much more prevalent in today's market than was the case five or ten years ago.

Policies affect inflation

Government policies—besides directly affecting the rate of inflation and the level of interest rates—have

had an impact on capital outlays in two other ways.

First, past practices of relying on government spending and general tax cuts to stimulate the economy, while using tight money to slow it down, have discouraged spending for capital. In effect, the government has stimulated consumption during expansions and retarded investment during periods of tight money. Over time, such a mix creates an inadvertent, but nevertheless meaningful, anti-investment bias.

Future needs for capital

Second, the stop-go shifts in government policies have not achieved their intended purposes, but instead have accentuated the swings in the economic cycle. As a result, business has faced increasing uncertainty about future returns and has found it more difficult to plan ahead. Projects which might well have been undertaken in the past are simply not considered today.

Against this background, how are we to meet our future needs for capital? The answer depends on how great these capital needs are. Economic projections are difficult and uncertain at best because they are based on arbitrary assumptions. Nevertheless, in making any decision about appropriate public policy, some fix must be taken on where we are going versus where we would like to be, in order to see whether any shifts in public policy are needed.

The first need for more capital—an immediate need—is to create jobs for our rapidly growing labor force. Between 1975 and 1985, the labor force will expand by roughly 15 million persons. In addition, there are at least three million unemployed persons in the labor force today who must be reemployed if the country is to return to reasonably full employment.

Millions of jobs wanted

Many other workers in our current labor force are underemployed and are eager to find more productive and satisfying jobs. Thus, during the next decade, if our economy is to fulfill the most fundamental hopes of our population, it must create almost 20 million new jobs—an increase in total employment of almost 25 percent and the biggest single increase in our history.

By contrast, during the past decade—years marked by economic growth—13 million new jobs were created. On this basis alone, and recognizing that some excess capacity still exists in the economy, the task ahead is formidable.

The second need for capital is simply for the replacement and modernization of the existing stock of capital we have. From 1960 through 1971, for example, 62 percent of U. S. business investment was needed for this purpose. This compares with 61 percent in the United Kingdom, 52 percent in Canada, 53 percent in West Germany, and 31 percent in Japan. The relatively heavy replacement burden provides a continuing opportunity to introduce new technology into the U. S. economic system, but, at the same time, such investment does not represent a net addition to our capital base.

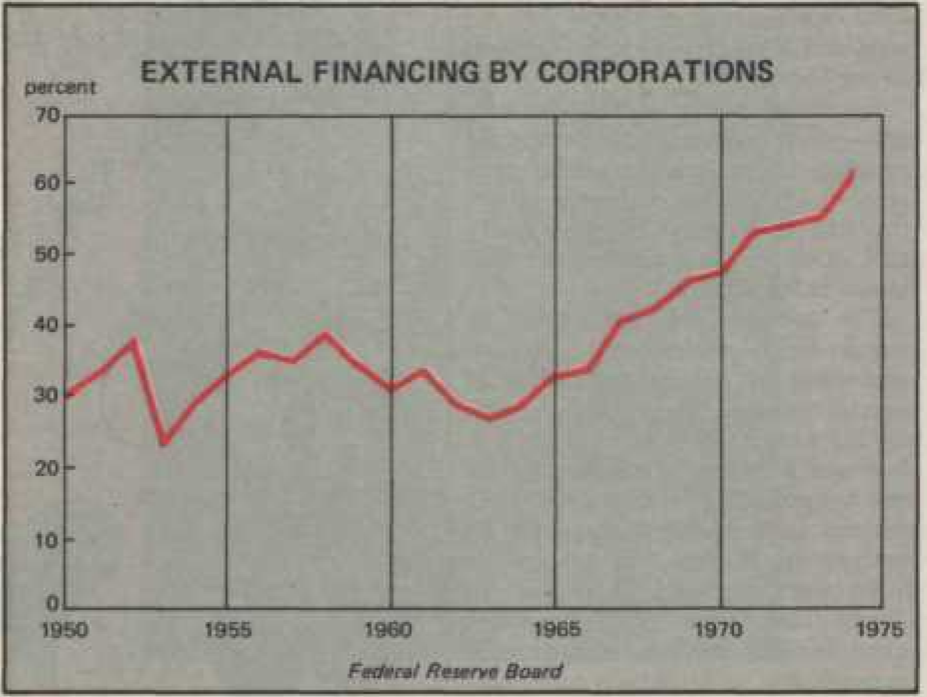
The third need for capital centers around specific public policy objectives: accelerated development of new resources to make us more self-sufficient in energy; improvement in the quality of our environment; safer working conditions to protect the well-being of our work force; and the provision of more and better-quality housing for a growing population.

Not an impossible task

The list of such objectives could go on. Of course, no accurate dollar total can be given for how much investment is needed to achieve these objectives in the next decade. But we can be certain that the levels of outlays must be very high. In the energy field alone, some estimates of capital needs over the decade that started in 1975 are close to $1 trillion.

When the three broad categories of needs for capital are added together, they point to total private investment outlays in the decade of more than $4 trillion, a staggering sum. The cumulative total of gross private domestic investment over the decade 1965 through 1974 exceeded $1.5 trillion. Our capital needs during the decade could be three times higher.

Is the task as impossible as it



"Because of the sharp erosion in profitability over the past decade, business has been compelled to raise much more of the money it needs for expansion from external sources."

sounds? Not really. In an economy as large as ours and with a fairly steady growth rate, my best estimate is that we can meet our capital investment needs by increasing the savings and investment rate only one percentage point—from its historical average of 15 percent of the gross national product each year to approximately 16 percent.

In dollar terms, one percent of our current gross national product currently amounts to $15 billion a year. As the economy grows, of course, the extra amount needed for savings and investment will also grow. By the mid-1980's, this one percent will be more than $30 billion per year.

We should recognize that the needed increase in capital investment would not require a radical shift in our present way of life. Our needs can most assuredly be met without a wrenching change in consumption patterns. At the same time, however, it is equally clear that our economy must tilt away from an overemphasis upon consumption and government spending and toward a slightly higher emphasis upon savings and investment.

And this tilt can be achieved only through a reordering of the governmental policies that have prevailed over the past ten to 15 years.

Policy prescriptions

There are four key areas where changes are essential, three of them relating to specific governmental policies.

First, we must somehow achieve a much greater public understanding of basic economic fundamentals. In the early 1960's, after serving as Secretary of Commerce, Luther Hodges remarked: "If ignorance paid dividends, most Americans would make a fortune out of what they don't know about economics." That observation may seem flippant, but it points to a harsh reality which no businessman can ignore.

The truth is that not enough Americans have been taught the fundamentals about our economy—about profits, capital investment, and productivity, the real sources of jobs and solid living standards.

Yet the argument for a private enterprise system must not rest on hard facts alone: It must also be cast in human terms. Being pro-free enterprise is the same as being pro-people. The economic growth which we seek yields direct benefits to wage earners, consumers, and producers—more and better jobs, higher wages, and less inflation.

In my view, those who practice free enterprise should—more than anyone else—be responsible for getting its success story across to the American people.

Requirement for government

Second, the government must put its own financial house in order. The excessive fiscal and monetary policies of the past decade can be continued only at the expense of price stability and a healthy economy. In the past two years alone, federal outlays have grown by 40 percent. That growth must be moderated.

We have had an unprecedented string of budget deficits—16 out of the past 17 years. This record must be changed. Over time, the budget must be balanced or, preferably, be in surplus.

In the current fiscal year, four out of every five dollars borrowed in the securities markets will be soaked up by government. That dominance must end.

The third key area in which changes are essential is the federal tax structure. It must be altered, I believe, to encourage greater investment. If the federal tax structure is not changed, funds will simply not be forthcoming for vitally needed investment.

A way must be found, therefore, to lighten the corporate tax burden. Specifically:

1. The corporate tax rate should be reduced from 48 percent to 46 percent, as has been proposed in Washington.

2. The ten percent investment tax credit and the 1975 corporate rate and surtax exemption changes should

be made a permanent part of the tax law, as has been proposed.

3. Utilities should receive specialized tax relief.

These changes would increase the incentive to invest; they would increase internal sources of funds by raising the levels of corporate cash flows.

Furthermore, a return of greater decision-making power to private hands would ultimately serve to reallocate resources more efficiently and enable the economy to use capital resources more effectively.

To encourage investment

For the long range, a plan has been proposed in Washington to integrate personal and corporate income taxes, ending double taxation.

This sensible proposition is specifically designed to encourage greater savings and investment. It is also the only major proposal of which I am aware that seeks to correct the imbalance between corporate debt and equity by encouraging greater reliance on equity financing.

The fact that almost every other major industrialized nation has adopted such a plan should be borne in mind as debates over corporate income tax integration build in the months ahead.

The fourth key area for change is government economic policy-making. In order to spur capital investment, it is absolutely necessary to end stop-go policies. Too often over the past 15 years, policies have been molded by short-range considerations; and because there is an inevitable lag between the development of a new policy and its impact on the economy, the changes have sometimes accentuated rather than corrected the cyclical swings of the economy.

It is pure folly for the government to attempt such fine-tuning when this only destabilizes the economy and makes it more difficult for the private sector to come up with sensible long-range investment plans.

Alternative to action

There can be little question that, if we fail to take the proper correcttive steps, we can look forward to more of the same economic difficulties we have experienced over the past decade, as well as an ominous increase in governmental power.

- Continued massive budget deficits will prevent many private borrowers from raising funds for expansion.
- With fewer capital resources, productivity gains will be inadequate.
- Inflation will be exacerbated, profit margins will be squeezed, and growth will be disappointing.
- Corporations will come under increasing financial pressures.
- Growing illiquidity will eventually force more firms into bankruptcy or into the arms of the government.
- Workers disappointed with their living standards will turn in frustration to Washington.
- The disadvantaged members of our society will be pushed even further into dependency.
- Financial institutions will seek governmental protection from inflation.
- Decisions once left to the marketplace will be shifted to the desks of government regulators.

And as these developments unfold and people become increasingly disenchanted with the private enterprise system, they will become convinced that the old ideals and principles that stimulated the nation's growth and prosperity do not work—when, in fact, it is precisely the failure to live up to those ideals and principles that has brought on our difficulties.

The way out

We can be optimistic to this extent: There is a way out. If we open our eyes to the situation, if we use our heads, and if we put forth the necessary effort, we will be able to formulate the right national policies in this country. We will achieve a higher level of savings and investment—and we will resolve our problems of unemployment, recession, and inflation. We can do it. If we don't, not only will industry be in trouble, but America will be in deep trouble. END

REPRINTS *of this article are available from Nation's Business. See page 53 for details.*

By VERNON LOUVIERE
Senior Editor

How Women's Drive Succeeds in a Man's World

When Lucille Treganowan unveiled the sign over her new shop in Penn Hills, Pa., a man driving by hit the curb and almost wrecked his car. The sign read: "Transmissions by Lucille."

In 1974, Mrs. Treganowan dissolved her partnership in an auto repair business and struck out on her own. She opened a shop specializing in repair and replacement of automobile transmissions.

Mrs. Treganowan and thousands of women like her have invaded the automotive world, long the almost exclusive domain of men.

Today, women drive trucks, own trucking companies, operate new car dealerships, run auto parts distributing firms, work as mechanics—they are in almost any type of job or business dealing with autos and trucks.

Mrs. Treganowan moved to the Pittsburgh suburb of Penn Hills from Arizona 20 years ago and, two years later, took a clerical job with an auto repair shop so she could finish college and earn a teacher's degree. She became more and more interested in spark plugs and carburetors and less and less interested in blackboards and chalk.

"There were so many customers' questions I couldn't answer that I took to reading automotive manuals," she recalls. "I watched the mechanics working, and I was intrigued with the diagnostic work being done on engines. But it was the transmissions that really got to me."

Eight years after she went to work in the shop, she was taken in as a partner. She stayed another eight years.

"My partners were two males, and they outvoted me on every issue," she says. "I decided to split. As a woman, I am considered a member of a minority, and I got a Small Business Administration loan to start my own transmission business. Business has been fantastic. Volume tripled the first year."


Mrs. Lucille Treganowan employs six male mechanics at her auto transmission firm.

Mrs. Treganowan, who employs six male mechanics, has just moved into a new shop, four times the size of the first one. She says there are far more advantages than disadvantages to being the woman owner of a transmission business.

"Some people come just out of curiosity," she explains. "One old man drove from the other side of Pittsburgh to bring me his business. He said: 'I don't think a woman will cheat me.' "

Woman customers flock to "Transmissions by Lucille." Many of them say they are pleased that Mrs. Treganowan is showing what women can do.

In Indianapolis, Mrs. Vicky Henry also found herself poking around bins of brake shoes and cam shafts while working as an office clerk with the Kar-Go Parts Center.

"I liked working with auto parts and dealing with the customers," she says. "I asked the owner to put me on the road selling, but he didn't think I could do it."

Mrs. Henry persisted, and she was given a territory of ten nonprofitable accounts. She converted them into profit-making customers for Kar-Go, built business as she went along, and now has 45 accounts on her roster.

In Butler, Wis., three sisters share ownership and management of Weiss Auto Parts, while a fourth sister handles inventory control.

The firm employs a woman pricing clerk, a woman truck driver, two woman salesclerks, and a woman bookkeeper. The only males on the payroll are two machinists and a part-time stockroom boy.

"We inherited the business when our father died about ten years ago," says Mrs. Violet Beneke, a vice president. "Some of our customers in the beginning find it unusual for a group of women to run a business like this. But they learn very quickly that we know what we're doing."

Last year, Weiss Auto Parts grossed $300,000.

According to the U. S. Census Bureau, the number of woman car mechanics grew from 2,270 to 11,130 between 1960 and 1970. In 1970, more than 20,000 women listed their occupation as truck drivers, a 38.5 percent increase over the previous decade.

Two years ago, Casandra Purdum, five feet one inch tall and 110 pounds, applied for a truck driver's job at the Mitchell Transport, Inc., terminal in Woodsboro, Md. She was given a federal driver certification test and scored 100. Today, she drives an 18-wheel dump trailer weighing more than 73,000 pounds when fully loaded.

"They tried everything to discourage me because of my size and sex," says Mrs. Purdum, 25. "I'll admit it isn't easy driving one of these big trucks. I have to keep myself belted so I can handle the steering in tight spots. But I love my work."

Mitchell Transport, pleased with Mrs. Purdum's accomplishments, hired a second woman driver. Of some 25 drivers at the Woodsboro terminal, the women are the only two to score 100 on the federal certification test. • *continued on page 41*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Making friends is our business.

Once...just once have the automobile you want. The Mercedes-Benz 450SL.

You've learned the hard way. You've suffered through the rest – the cramped, little whippets, the bellowing brawlers, the high-strung blue bloods. Small wonder that the Mercedes-Benz 450SL seems too good to be true.

Suspend your skepticism. The 450SL can't be lumped in with the rest. Conventional sports cars have little in common with it. You owe it to yourself to try the 450SL.

Anatomy of an ideal

The 450SL captivates your senses. It's supposed to. Your eyes linger on the lean body design.

Settle into the cockpit of this Mercedes-Benz and you immediately feel at home. The anatomically designed seat cradles you. You read critical gauges at a glance.

By design, everything falls into place. It's a study in ergonomics.

Three cars in one

Clearly, this is the complete sporting automobile. Standard equipment includes a removable hardtop as well as a custom-tailored soft top that's always on board. Hardtop. Soft top. No top. The 450SL – practically three cars in one.

Now, take the 450SL on a thorough test drive. It's time for the moment of truth. Turn the key and you dispel the last of your doubts. The 450SL's engineering credentials make it a match for any sporting automobile in the world.

Go ahead. Enjoy yourself. Feel this Mercedes-Benz turn an ordinary back road into an indelible driving experience.

Performance? Ride? Handling? Incomparable. And exactly what you'd expect from a car whose progenitors dominated the racing circuits of the world.

At last, it's happened. The car you want is here. The Mercedes-Benz 450SL. But stand forewarned. Don't sample the unique 450SL until you're really ready to buy one. It's that kind of automobile.

Mercedes-Benz

Engineered like no other car in the world.

Special Radio Network Is a Boon to Doctors

Thousands of practicing physicians around the country are listening to radio to keep up with advances in medicine. But not just any radio.

They are tuning in—night or day and all week long—to Physicians Radio Network, which was established in 1974 and now has outlets in 18 cities.

PRN was created by Visual Information Systems, a New York-based division of Republic Corp., of Los Angeles, and is supported by seven major pharmaceutical firms which buy commercial time to publicize their products.

The broadcasts are carried over subsidiary frequencies of existing FM stations but can be heard only over radio receivers furnished free of charge by the network to physicians. Some 18,000 of these special radios currently are in use, and the number is steadily growing.

It's often important for physicians to learn of medical discoveries before articles about the discoveries can be published in medical journals, Visual Information Systems President Jay Raeben points out. He adds:

Dr. Paul Lindenborg, of Indianapolis, is one of thousands of doctors around the country who keep up with the latest medical developments by special radio.

"Although radio is often no substitute for such publications, it can alert the physician to developments he should know about. PRN makes it possible for the physician to receive this information quickly, directly from the place where it is first announced, and often in the voice of the scientist making the news."

Material for the broadcasts is prepared by some 100 news correspondents who regularly cover medical meetings and conferences, taping on-the-spot announcements of new developments in diagnosis and treatment as well as comments by eminent medical specialists.

Local stations are prepared to break into the broadcasts at any time with urgent announcements of need for emergency medical assistance, particularly if special skills or services are sought.

A survey has shown that PRN in a test week was reaching 70 percent of its physician audience. Doctors tune in at random, and half of them spend an average of nearly 23 minutes listening before they switch off. Programs are repeated hourly, except for special broadcasts, and material is changed daily.

"Our network is a way for the busy physician to keep up with the latest developments in his particular field of interest," says Mr. Raeben. "He might hear something on one of our broadcasts and then seek further information on a development, product, or procedure that interests him.

"We know the physician does not usually have time to sit down for a full hour and listen to the radio. Our program is repeated throughout the day, so the chances are good that even the busiest doctor will be able to get something useful out of it." •

Humor Helps Change U. S. Tastes in Wine

Stiller and Meara, meeting for the first time on an ocean cruise, find themselves assigned to the same table for dinner. She has just ordered filet of sole, and he has chosen filet mignon.

Jerry Stiller speaks: "Would you like to share a bottle of wine? I noticed a little Blue Nun at the captain's table."

"Poor thing," replies Anne Meara. "Maybe she's seasick."

"No," puts in Stiller. "Blue Nun is a wine. A delicious white wine."

"Oh, we can't have a white wine if you're having meat and I'm having fish," Meara says firmly.

But Stiller persists: "Sure we can. Blue Nun is a white wine that's correct with any dish. Your filet of sole. My filet of mignon."

"Oh, it's so nice to meet a man who knows the finer things," Meara says. "You must be a gourmet."

"No, as a matter of fact, I'm an accountant," Stiller explains. "Small firm in the city. Do a lot of tax work. . . ."

Most radio listeners have probably heard a Stiller and Meara commercial such as this one at some time in recent years. For the sponsors, it has meant an increase of almost 750 percent in sales of Blue Nun since the ad program was launched in 1969. The ad program has had an impact on many American diners who had heard it is improper to drink white wine with red meat, or red wine with fish or poultry.

"Despite the wine boom of the last decade, people still weren't sure just what to drink and when and with what," says Paul Farber, a vice president of Schieffelin & Co., of New York. The company imports Blue Nun along with other alcoholic beverages.

When the Blue Nun commercials began, the two leading imported all-purpose wines were rosés. Imports of all-purpose white wines have steadily increased since then and are catching up with the rosés. The American diner's wine preference has been decidedly altered, according to Mr. Farber.

The Blue Nun commercials have captured 15 advertising awards. Stiller and Meara's extemporaneous style of delivery makes the commercials particularly believable, Mr. Farber says.

Meara: "And then there's the brussels sprouts. They're so ugly. Do you have anything to suggest for brussels sprouts?"

Stiller: "My dear lady, I have been trying desperately to suggest Blue Nun."

Meara: "Didn't she sing on the Ed Sullivan show?" •

THE OUTLOOK NOW

Why Businessmen Are

A Nation's Business survey discloses that executives see the uptrend continuing, although some clouds remain

THE NATION'S ECONOMY is gaining strength rapidly, and prospects for further improvement are excellent, in the opinion of a large selection of business leaders.

By a margin of better than six to one, executives answering a NATION'S BUSINESS quarterly outlook survey see a continuing economic uptrend in the second quarter of the year.

Only an inconsequential number look for a downturn or a leveling off.

By a margin of three to one, executives say their companies' sales in the first half of 1976 will be higher than they were in the first half of 1975.

Other questions produced these results:

- Two out of three executives expect better profits for their firms during the first half of the year than in the first half of last year.
- Two out of three say their labor costs are going up substantially. Practically all other respondents report their labor costs rising at least slightly.
- More than half look for national unemployment to go down. About a third think it will remain about the same.
- Three out of five say their companies will increase capital investment in 1976. Slightly more than one in five say their firms' capital spending will remain about the same as in 1975, while a smaller number say their companies will decrease spending in this area.
- Slightly more than half say inflation will remain at the present level or go down somewhat.

NATION'S BUSINESS also asked executives to express opinions on the most encouraging and most discouraging aspects of the economy and for their appraisal of détente with the Soviet Union.

A variety of answers came in, some of which follow.

Encouraged by stock market

Frank K. Spinner, a senior vice president of the First National Bank, St. Louis, is encouraged by consumer spending and the strong showing of the stock market. He is discouraged by inflation. His opinion of détente is expressed in one word, "bunk." Mr. Spinner cites gains in consumer spending and confidence as main reasons for improvement in the economy. He looks for 30 percent better first-half profits at his firm, although labor costs are going up substantially.

Louis B. Perry, president of the Standard Insurance Co., Portland, Oregon, is pleased that the economy has not been heating up too rapidly, but is bothered by continued high unemployment. As for détente, he says we are letting our guard down while Russia continues to expand militarily. Mr. Perry says the economy will continue to improve on the strength of funds available for increased consumer spending. He looks for a slight drop in unemployment. His firm's labor costs went up seven percent in 1975, and he expects an eight percent rise this year.

Lyman H. Treadway, chairman of the Union Commerce Bank, Cleveland, is encouraged by consumer spending but discouraged by "prospects for expanding expense of government." He thinks well of détente, but with a condition: that the United States pursue détente while maintaining equal military strength with the Soviets. Mr. Treadway says the economy is continuing to improve on the strength of a number of positive factors. His bank's profits will also continue to improve, he says.

D. A. Gaudion, chairman of Sybron Corp., Rochester, N. Y., is encouraged by "a realization at national, state, and local levels that government spending must be cut," and he is discouraged by unemployment and inflation. As for détente, he calls it "a necessary effort in today's world." Mr. Gaudion likes the pattern of economic improvement—which he describes as slow but steady. His firm's labor costs are going up at a seven to eight percent rate, and he looks for national unemployment and inflation rates to hold about the same.

Strength in foreign trade

Judith Markland, economist for John Hancock Mutual Life Insurance Co., Boston, is encouraged by the "strong performance" in international trade. She is discouraged by American dependence on foreign energy sources coupled with lack of a "realistic pricing policy" aimed at promoting domestic energy production. She offers no opinion on détente.

She foresees no forces strong enough just now to abort the economic recovery. Nationally, she says, profits should be about 35 percent above depressed first-half levels of a year ago. Unemployment should be well below mid-1975 levels, she says, and inflation should drop off slightly.

C. William Verity, Jr., chairman of Armco Steel Corp., Middletown, Ohio, is most encouraged by "the progress being made on inflation" and most discouraged by the "tremendous surge in government inter-

Encouraged About the Economy

change in business." He says détente should be constantly reviewed "in the light of long-term communist strategy." Mr. Verity says he looks for a rising economy, with inventory liquidation about completed. Consumers will be buying more, both with cash and on credit, he says.

Armco's first-quarter sales volume was lower than last year's, but Mr. Verity looks for good recovery during the second quarter. His company's capital investment this year will be about the same as in 1975—which, incidentally, was a year of expanded capital spending for Armco.

Robert P. Gerholz, president of Gerholz Enterprises, Flint, Mich., is encouraged by a generally rising economy and discouraged by government deficit spending. He prefers a "meaningful dialogue" with the communists to "a confrontation."

Mr. Gerholz sees increased housing construction, auto production, and retail sales, plus lower interest rates and higher consumer confidence as generating economic thrust. He looks for a 15 to 18 percent increase in his firm's first-half sales and a seven to eight percent improvement in profits over a year ago.

Five percent inflation?

His firm's labor costs are up slightly, but he says there has been less absenteeism and there have been gratifying improvements in both quality of work and productivity. Employee attitudes are better, he says. Mr. Gerholz says he counts on common sense of businessmen and government leaders to get them to work together to lower inflation. He thinks the inflation rate will be about

R. J. Buckley, president of Allegheny Ludlum Industries, Pittsburgh, credits President Ford with "giving at least lip service to reductions in government." He looks for inflation to mount moderately again by the end of the year.

Charles K. Cox, president of INA Corp., Philadelphia, is an optimist about the economy and his firm's profits. INA will not significantly change its capital investment rate, he says. He sees an "unfortunate" inflation rise ahead.

Robert L. Gibson, president of the California Canners & Growers, San Francisco, looks for a higher GNP, due about half to inflation and half to real growth. His firm's capital investment will drop to about 75 percent of the 1975 level.

five percent by the end of the year.

Other comments:

James S. Cook, president of L. G. Balfour Co., Attleboro, Mass., credits current momentum in consumer buying and inventory replacement with causing continued improvement in the economy. He foresees a slight increase in inflation as the economy builds up steam. His company's sales will be up five to ten percent during the first half, over the first half of 1975, he says, and profits will also improve. He expects a five percent increase in his company's capital investment this year.

J. H. Griffin, a senior vice president of Southwire Co., Carrollton, Ga., fears that inflation will increase again. Inflation still depresses some segments of the economy, he says—for example, housing. Southwire's first-half sales will be up by a good margin because "utilities are spending again for wire and cables" and because Southwire's exporting is brisk. However, Mr. Griffin says his company's first-half profits will be about the same as in the first half of 1975 because "costs are up in all directions."

Mr. Griffin has this to say about détente: "Poorly conceived. Too little economic pressure utilized and too much conversation. Why not use grain as a major bargaining tool and hit hard? The Russians laugh at our ineptitude."

Increased lending

W. W. Mitchell, chairman of the First National Bank, Memphis, outlines his reasons for expecting further improvements in the economy: Modest improvements in consumption and housing starts, monetary growth, and a continued high level of government spending. His bank's lending will increase, which will be an improvement over 1975's first half. The bank's profitability should also improve during the first half, while per-worker labor costs are increasing only moderately.

R. A. McMillan, director of business research for The B. F. Goodrich Co., Akron, says there will be a strong upward push in the economy during the second half as business rebuilds inventories and consumers spend their tax refund money. His company's first-half sales "should be higher than during the depressed first half of 1975" and profits will rise as a result. Midway of 1976, unemployment should begin to fall, he says—"probably more rapidly than most people believe." But he looks for rising inflation by the end of the year.

G. F. N. Smith, president of American Mutual Life Insurance Co., Des Moines, rates the recovery as well-established, and he expects it to continue throughout 1976. His com-

W. C. Goggin, chairman, Dow Corning Corp., Midland, Mich., is discouraged by many government controls as they relate to multinational firms. He is encouraged by lower inventories, consumer enthusiasm, and monetary policy.

Ernest L. Grove, Jr., a senior executive vice president of The Detroit Edison Co., Detroit, expects lower inflation to accompany a strong economic recovery. Inventories and interest rates are down, he notes. He sees profits rising at his company.

John L. Gushman, chairman of Anchor Hocking Corp., Lancaster, Ohio, sees national unemployment hovering at 7.5 percent, with employers going slow in taking on more workers. However, the economy will improve, he says, and so will his firm's profits.

pany's sales and earnings should continue to improve despite higher labor costs, he says.

Era W. Moore, executive vice president of Cadillac Associates, Inc., of Chicago, an executive placement company, predicts on the basis of contacts with many companies throughout the country that the economy will continue to improve. He is encouraged by the slowing of inflation, but discouraged by the high cost of taxes to the employer.

Dropping interest rates

George B. Kozak, vice president of finance at Warner & Swasey Co., Cleveland, looks for "slightly higher" sales and profits for his company. As for its labor costs, they are increasing substantially, he says. Dropping interest rates and the bullish stock market encourage him. He worries that high inflation will return if the economy overheats.

Warren M. Pace, president of the Richmond Corp., Richmond, Va., foresees only slight improvement in the economy and in the unemployment picture. However, he predicts a decline in short-term and long-term interest rates. His financial services firm's sales and profits should be higher, he says, while its labor costs will go up slightly. As for détente, he calls it a charade and sees no tangible long-term benefits for the U. S. in it. He calls it misleading to the American public.

Robert W. Galvin, chairman of Motorola, Inc., Chicago, feels that the program for détente should be shelved "unless we and the Soviets can agree on the same standards and both of us live up to those standards." As for the economy, it is on the way up, he says—and so are his company's sales, profits, and capital investment. Motorola's labor costs are up also, but only slightly. END

H. S. Mohler, chairman of Hershey Foods Corp., Hershey, Pa., says his firm's labor costs will go up and unemployment nationally will remain about the same. Hershey Foods is increasing capital investment. Its sales and profits are improving.

William R. Nesbit, corporate economist for United Airlines, Chicago, notes that inventory rebuilding is under way and says the economic recovery is broadly based. But he is discouraged by high levels of inflation and unemployment.

A New Look at Business Forecasts

The economic world is less stable than it was several years ago, this expert says, and that requires changes in the way predictions are made

BY FREDERICK W. DEMING
SENIOR ECONOMIST AND A VICE PRESIDENT OF CHEMICAL BANK, NEW YORK

It is a rare economist who is not spending almost as much time today looking backward explaining what went wrong with some past forecast as looking forward describing his latest views of the future. There are some lessons in this experience.

I should emphasize that, even with the forecasting problems of the past several years, I have no doubt that business decisions which take account of economic analysis still have a better chance of success than those which do not. Obviously, some analyses are better than others, and no one has a perfect record over any extended period.

But a few basic questions about our forecasting efforts are worth raising. [See "Guest Economist," *Nation's Business*, January, 1976].

Specifically, my own judgment is that economists—myself included—are tending more and more toward forecasting too often. I also think we are attempting too often to carry our forecasts to an unwarranted degree of precision. And, given the acknowledged uncertainties that pervade our underlying analyses, I am continually surprised at the certainty with which we argue for our conclusions.

Outmoded after a month?

Fifteen years ago, when I entered the forecasting profession, most schedules called for a full-scale review of the economic outlook no more than two to four times a year. Today, it seems axiomatic to regard any analysis more than a month old as suspect, and the outmoding begins as soon as any of the multitude of monthly statistics is released by the data mills. At Chemical Bank, for example, we update our interest rate forecasts each Friday, following review of the weekly financial figures released the night before.

There was a rule of thumb among economists in the early 1960's that any forecast of gross national product, although made to the nearest $100 million, came with an implicit range of plus or minus $5 billion. This represented fully a two percent range around the then-$500 billion economy. Today, with the economy having tripled in size, we are still slavishly carrying out our GNP forecasts to the nearest $100 million, and we would scarcely dream of admitting that we could be off by as much as plus or minus $15 billion.

Similarly, in forecasting interest rates, many continue to attempt to call the levels to the nearest basis point, despite the fact that week-to-week volatility in the money market is at least three times what it used to be.

The more precision with which we present our analyses, of course, the more appearance of support there is for the high degree of certainty we like to show in our conclusions. But take the argument last spring between those who saw an undue inflationary risk in a tax cut larger than $15 billion and those who felt any cut of less than $30 billion was insufficient to stimulate the economy out of its recession. Are our analytic tools in fact refined enough to provide the clear-cut proof alleged in such arguments?

The proof marshaled last fall to show the effects of various schedules for decontrolling oil prices raised similar problems.

Risk to credibility

This is not to say that analysts should refrain from making and expressing judgments on these kinds of questions. Clearly, decisions do have to be made, and judgments are part of the process. But the temptation to stretch a sound though not fully conclusive analysis into proof of some judgment has always seemed to me to risk long-run damage to the credibility of analyses per se.

So what can be done to meet these kinds of problems?

One step being taken by several analysts is to give forecasts in packages of several scenarios, rather than just one, and with probabilities attached to each.

At Chemical Bank, we have even endeavored to attach different probability ranges to separate elements

of our forecasts—i.e., one set of probabilities for general business activity, another for inflation, a third for interest rates, and so on. This is an attempt to unbundle the various pieces of the overall package and communicate the notion that even an accurate forecast of the overall business outlook may not produce the anticipated results on such variables as interest rates.

As in the weather report, the probabilities lead to current judgments about the most likely chain of events but also provide an explicit reminder that rain could come.

"Given the acknowledged uncertainties that pervade our underlying analyses, I am continually surprised at the certainty with which we argue for our conclusions."

Fundamental change

At a more technical level, I believe we should begin rounding our estimates off to a fewer number of significant digits. In my judgment, a sharp pencil paints much less clearly in today's volatile economy than a broad brush. In some particularly messy areas, we may need a broom.

But the most fundamental change needed, in my judgment, is explicit recognition by all concerned that the economic world today has much less stability than it had several years ago.

Statisticians may call this "noise" in the variables, and sociologists may explain it as the product of ongoing conflict among unreconciled goals. But for the forecaster, it means constantly reminding ourselves and those we serve that some of the close calls on which advice is legitimately sought simply are beyond the realm of scientific analysis.

This attitude would lead to a different kind of forecast than we are used to giving, although the forecast often could be precise enough to warn against some risky adventure.

I believe the change in approach would help to give a somewhat longer life expectancy to our analytic efforts and thereby save time on the updating treadmill that can always be used more productively elsewhere.

Finally, I also believe this more humble approach to economic forecasting and analysis would make a major contribution to restoring at least some of the credibility that the profession has lost during the past several years.


JOHN WILLIAMS

LESSONS OF LEADERSHIP

Building a Winning Management Team

John H. Williams has transformed a comparatively small company into one with assets of $1.5 billion. How? "Our real secret," he says, "has been in staffing our management group with the very top talent"

At the headquarters of The Williams Companies in Tulsa, a Picasso hangs outside an executives' washroom near a superb corporate dining room.

Ostentatious? Not a bit.

The Williams Companies' lean management team is treated well.

It's part of the business philosophy of soft-spoken Chairman John H. Williams, 57, who has built a winning managerial combination for an industrial empire.

Mr. Williams believes that when it comes to executives, the best are the cheapest for a company in the long run.

"You don't make money by being a scrooge," he says, adding with a smile: "I like to associate myself with smart people because they make me look so good."

And the executives under him obviously enjoy associating with an entrepreneur who in a span of a decade has transformed a pipeline construction company, which had assets that he had built up to $30 million, into a $1.5 billion-assets diversified company based on fertilizer, energy, and metals.

Schooled in the rough and tough pipeline construction business, more often than not working under primitive conditions, Mr. Williams early learned the importance of self-sufficiency, diplomacy, and daring.

Through an investment of $3,000 of his own money and a borrowed $2,000, he became president of the pipeline construction firm, which he helped organize, in 1950. The firm, Williams Brothers, acquired from two uncles of his, then had approximately $3 million in assets.

Fifteen years later, he invested $1.6 million of the firm's profits and a lot of borrowed money to buy a business with assets valued at $287 million. The acquired firm was the Great Lakes Pipe Line Co., one of the largest businesses of its type in the nation, with 5,400 miles of lines. Today, its lines' mileage adds up to 8,300.

This was followed by acquisition of Edgcomb Steel Co., a processor and distributor of metal products in 25 eastern and middle western states; The Suburban Companies, a propane distributor in 25 western states; and the agricultural chemical interests of Gulf Oil Corp. and Continental Oil Co., which now form Agrico Chemical Co. The Williams enterprises also went into extensive exploration for oil and gas.

Acquired along the way were an insurance company, merchandising interests which included Yellow Front and Checker Auto stores, and the largest wholesale distributor of appliances and floor care products in the West.

These insurance, merchandising, and wholesaling firms were divested in a realignment program aimed at concentrating in the three areas of fertilizer, energy, and metals. Much of the realignment program occurred in 1975, and the program was capped last Dec. 31 when the original pipeline construction company was sold to a group of employees.

As a result of the realignment, revenues dropped from $993 million in 1974 to $882 million in 1975. However, net income rose 29 percent from

The chairman of The Williams Companies is shown in an Agrico Chemical Co. fertilizer plant, part of his industrial empire.

A management maxim that John H. Williams (left) has adopted is to have a second team ready to take over. When he retires as chairman of The Williams Companies in less than three years, his successor will be the president, his cousin and fellow Yale man, Joseph H. Williams (seated).

$95 million to $124 million. In the previous year, net income increased 97 percent.

Close associates believe that John Williams wants to make at least one more major acquisition. If he does, the acquisition probably will be in the energy field. Mr. Williams's firm has expressed interest in acquiring Peabody Coal Co., which Kennecott Copper Corp. must sell under a government decree. His firm also has a joint venture with Bechtel Corp. and Goodyear Tire & Rubber Co. that proposes to build the nation's first privately financed and owned gaseous diffusion uranium enrichment plant. The plant, in Alabama, would process fuel for nuclear power plants.

Mr. Williams has said he plans to retire in three years, at age 60, to make way for a managerial team he has prepared to replace him. When that day comes, he has indicated, he will withdraw completely, even as a director, because he's not sure he could resist jumping into the fray.

There is speculation he will start a second career—and one obvious area would be in Linville, N. C., where he and a friend are developing the posh Grandfather Golf and Country Club, a 2,000-acre resort that includes residences, trout-filled lakes, and two golf courses.

Mr. Williams and his wife, Jody, own a home there. In Tulsa, they live in a condominium apartment near a favorite golf course where he tries to improve a 17 handicap. Mr. Williams has three grown sons by a previous marriage. None are in the family-started business.

Not one for flaunting his affluence, Mr. Williams drives himself to work—in a Mercedes 450 SEL, it's true. The office in which he works is the same one he occupied as president of the pipeline construction company. The only major additions have been trophies from an African safari he made in 1973.

It was in this office, on the eighth floor of one of a number of downtown Tulsa buildings in which The Williams Companies' operations are now scattered, that John Williams talked with a NATION'S BUSINESS editor and reflected on how you manage to increase a company's assets 500-fold.

What motivates a man to keep building and building a company?

Why are you on this earth? I can do an awful lot of good with this company. I happen to think that everyone has an obligation to do good when they come on this earth and that they ought to discharge that obligation.

Also, I enjoy business. It is a fascinating game.

As a kid, I used to play chess. Running a business is sort of like chess, with infinitely more variations—looking ahead, planning deals, and making them work is the game. It involves people and a terribly fascinating ingredient, financing—the ability to borrow money and put it to work and pay it back.

When I was a youngster, by the way, financing was a complete mystery to me, as it is to so many people.

Apparently, it didn't take you long to unravel the mystery, because you became president of an international firm at the age of 32.

I became president of Williams Brothers 26 years ago for a number of reasons, not the least important being that there wasn't a second team. That was one of the first management lessons I learned—you always need to have a second team in place and ready to go.

People are mortal, and one thing I insist on is that there is always at least one eminently qualified individual coming along who can replace the top man. Not in the sense of ousting him, but in the sense that if anything happens, there is someone qualified to step in immediately and carry on. In my case, I selected my cousin, Joe—Joseph H. Williams, who is now president—as my replacement 15 years ago. He has developed beyond my fondest expectations.

Twenty-six years is a long time to head a company, isn't it?

Actually, it has been three different jobs. I had one running a pipeline construction business and one as an entrepreneur building a company. The third is presiding over a large operating company.

You were born in Cuba and grew up there. How did the trail lead to Tulsa?

The Williams family dates back to colonial times. It settled in Camden, S. C. My father, who worked for the American Tobacco Co., was sent to Havana in 1905 as a tobacco buyer. There he met another American, John Horter. They became partners and eventually were named Cuban distributors for Caterpillar, John Deere, Zenith, and other American firms. My father and his partner had a good business and even carried their partnership into marriage—they married sisters from Louisiana. When I was born in Havana in 1918, I was named for John Horter.

Meanwhile, in 1908, my father's two brothers moved to Ft. Smith, Ark., from South Carolina and started a pipeline construction company, Williams Brothers Corp., and did quite well. They moved to Tulsa in 1924.

How long did you live in Cuba?

Until 1939. My father died in 1927. Later, my mother remarried. My stepfather was in charge of the Cuban branches of the First National City Bank of New York. Except for one period when we lived in Larchmont, N. Y., we lived in Cuba. I went to junior high in Mamaroneck, N. Y., but the rest of time I went to private schools in Havana.

Incidentally, I didn't learn English until I was five years old. My ability to speak Spanish has paid off many times in dealings with Latin American countries.

You chose civil engineering as a career when you were a youngster. Why?

My grandfather was a civil engineer. I always liked to build things and find out how mechanical things worked. And my two uncles in Tulsa had close association with engineers and engineering. They were the ones who financed my education at Yale. I worked one summer for them on a pipeline project near Casper, Wyo., and another on a job in Venezuela.

After graduation from Yale, you went with your uncles' company?

No. When I got out of Yale in 1940, it was apparent I would have a future association with the Williams outfit. However, I thought I had better get some experience elsewhere.

I was hired as an instrument man at $95 a month by an outfit called the Southeastern Pipeline Co., which was building a pipeline from Port St. Joe on the Gulf coast of Florida to Chattanooga, Tenn.

After about a month, the chief of the survey party went on a two-week binge. They promoted me to chief and I got a $40-a-month raise. I bought my first car—on time. I was rich. But I think the most notable thing about that job is that I walked from Port St. Joe to Chattanooga with a surveyor's transit on my back, something very few people have done.

Obviously, you've done many things that other people haven't.

Yes, but while that walk probably doesn't qualify me for the "Guinness Book of World Records," it's a distinction I'm proud of. You know, a lot of people have made millions and built large companies, but how many have walked from Port St. Joe to Chattanooga?

Were you on this job at the time of Pearl Harbor?

Yes, but I left it and went to work for the Williams Brothers firm on a job to lay a water line for the navy from Homestead, Fla., to Key West. I was in charge of engineering for the project. Then, in 1942, I was commissioned an ensign and called to active duty with the navy's Civil Engineering Corps. Most of us went into Seabee units.

I had both the good and the bad in my naval career. My battalion's first assignment was to build an air base on Bermuda when everyone else was being shipped to the Pacific, to spots

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like the Aleutians and Guadalcanal. So they called us the Honeymoon Battalion. I'm sure the navy thought we ought to pay for having things so easy, because we were later assigned to the Fifth Marines and made the invasion of Iwo Jima in 1945.

We went in on the 16th wave, which was 32 minutes after the first Marine landed. The front line was 20 yards from the surf when I went ashore.

I got back home in December, 1945. After a few months' rest, I went to work in Minneapolis for my uncles' company.

Later, I spent two years in Mexico—that is, mostly in Mexico. I also traveled all over South America and in the Middle East on projects.

You had cast your lot with Williams Brothers by this time?

Yes, and now I can elaborate on my reference to the company not having a second team.

About 1948, my two uncles, who were getting along in years, started thinking it was time to retire.

As so often happens in the construction business, they hadn't created a second team. That's quite normal, because experience has shown construction businesses run best when they are owner-operated and the owner-managers are right out in the field.

In this case, the lack of a second team was lucky for me. They started talking to us about some form of succession.

Us?

My brother, Charlie; my first cousin, David; six of the middle management people; and myself. We didn't have any money. We formed a corporation capitalized at $25,000. My share, for 20 percent of the stock, was $5,000. I had to borrow $2,000.

We bought the construction equipment by giving my uncles a note for slightly more than $3 million, the book value. They in turn subordinated the note to a bank, which loaned us $1 million for working capital.

Though we had a new corporation, we kept the old name, Williams Brothers, until 1971, when we renamed it The Williams Companies.

How prepared were you to take over the company?

I had a lot to learn. The first thing we did was go out and bid successfully on a $7.5 million pipeline job from Baton Rouge, La., to Greensboro, N. C. It took 11 months to complete, and we lost $800,000.

The main reason we lost money was because of an unusually heavy rainy season. We were working at the time in a low area between two rivers. The waters rose and our equipment disappeared under the water. Just the booms were showing.

So you blame the loss on Mother Nature?

Not entirely. We should have anticipated flooding and gotten our equipment out of there when the water started rising. We didn't and as a result had to rebuild and rehabilitate all of the equipment. Fortunately, we had other projects at the same time, and they were profitable. As a matter of hindsight, this may have been the best thing that could have happened to us, because we then all buckled down and really went to work.

How did a comparatively small company like yours was buy Great Lakes Pipe Line, a much larger company?

Very quickly, let me trace this for you.

After four years, we had accumulated enough profits to pay off the $3 million equipment note. By 1957, three years later, we had made about $10 million and decided that, for estate purposes, we needed to go public. We sold 300,000 shares.

In 1963, the construction business in the U. S. began drying up. That year, we lost $4 million on our U. S. operations, but our overseas business was successful so we decided to stop domestic operations and continue overseas.

That led me to a basic part of my business philosophy: Do not persist in an activity that loses money. Profit is the name of the game.

Anyway, in May, 1965, we heard that the eight oil companies which owned Great Lakes, the longest product pipeline in the country, were thinking about selling it. For a year or so, we at Williams had been thinking of how best to diversify. This looked like an opportunity for us, so we put together a team of the very best people to line up financing and prepare a bid. That's a whole story in itself, too. As was the timing.

Timing?

Our offer was accepted on Nov. 30, 1965, just six days before the Federal Reserve initiated the first of many increases in the rediscount rate. We had arranged the financing but we were so finely tuned that a change of one eighth of a percent in the prime rate would have made a difference.

I wrote a check for $227.5 million in payment for Great Lakes, but only $1.6 million was from Williams Brothers. The rest was borrowed. While we got under the wire by six days, there were a lot of anxious moments during the four months before I could write that check. Incidentally, at the time that was the largest cash-for-assets transaction in the nation's history.

Did anything happen to the deal when interest rates increased?

The banks that we borrowed from and the insurance companies that were taking $170 million in senior debt—the entire package was $287.6 million—might have been justified in renegotiating the rates. But they knew, and we knew, that renegotiation would kill the deal.

They didn't want the deal to be killed, either, and to their eternal credit they held firm on their commitment. I'm appreciative of it and have never forgotten it.

Not having been involved before in high finance and the intricacies of leverage, weren't you in virgin territory?

I went in with shortcomings, no question about that. I hardly knew anything about debentures, covenants, negative pledges, and all of the other things that go into permanent financing. I did know one thing, which I had learned in the construction business—you need to find the very best people and get them to work with you. So I found the best pipeline financing expert, Frank Kernan, and Joseph Auerbach, a top lawyer. These two men put the pack-

age together and in the process educated John Williams. From that evolved another basic part of my business philosophy—the best are always the cheapest.

Somebody who is second best in the sense of being less qualified often will permit you to make mistakes. They will settle for expediency. They will do all sorts of things that result in errors of omission, errors of lack of anticipation, and lack of comprehension. This can cause you to make enormous and costly mistakes.

When did your management philosophy start taking shape?

When I realized that I couldn't do everything.

This was a realization that came the hard way. When I became chief executive officer back in 1950, I felt I had to do everything myself, and I was rather condescending about those I felt were less capable—I tolerated them. But it didn't take me long to find out that I didn't know everything, that there were capable people available, and that you accomplish ever so much more by having talented associates. This multiplies your ability manyfold, though you still may think you personally can do things best.

Well, after I learned this lesson, I made it a foundation of our management policy. Our real secret, during the rapid expansion of the company, has been in staffing our management group—fleshing it out with the very top talent that can be found, and letting them share in the benefits of their efforts.

I'm told you've made a lot of people rich.

Yes, but I've made the company a big company and a successful company in the process. They work like the dickens, but most importantly, I don't drive them. They drive themselves. None of these people work for me, they all work with me. It is a team effort.

I've found that most people are profit-motivated and we recognize that these leaders—the top people—are entitled to participate in some of the rewards of their efforts. You can over-reward a person, but the largest mistake that occurs is when you under-reward. If you have a superb individual, someone else is going to come along and take him away from you if he's not properly rewarded.

John Williams is a master of leverage and a keen student of human nature. In making corporate acquisitions, he shuns labor-intensive industries. He places a high value not only on getting the best managers, but on giving them full responsibility in running the companies.

So you use money to get and retain top people?

Not entirely.

You look for people who have the minds, initiative, and drive—all of those things that make top people. Then you have to provide them with the tools with which to work and with an incentive. Money is an incentive, but there also has to be a certain mystique—they must have a pride in the company. Our people feel that pride here, and you don't have to take a whip to them. They want to be the very best.

The job of a chief executive includes creating the atmosphere that these people operate in. I find the chiefs, who then go out and assemble their teams. We have a saying in our company: In order to succeed in any venture, you don't need a team of people, you need the right man to head up the effort and then he'll develop his own team.

In the event one of your managers doesn't work out, do you have any compunctions about letting him go?

Not in the least. The best thing you can do for him is the best thing you can do for the company—change him quickly. We are all going to make mistakes; but, a man who repeats mistakes—that is something you can't tolerate.

I must admit, however, in looking

back on my experience, that some of my biggest errors have been in my slowness to change a man because of sympathy. You know him well, and he's a nice guy. Maybe he'll do better, you think. But in the long run, you hurt the man if you leave him in the position too long. And you hurt the corporate effort.

Do you rely on intuition much in making decisions?

Yes. You can sharpen intuition by giving it practice, but I really don't think you can instill intuitive capability in someone who doesn't have it. I think I am one of those blessed with intuition. When you combine it with a will to win and ambition, you find someone like me, who always wanted to build a big company and was willing to make whatever personal sacrifices were necessary to do it, including working 24 hours a day.

Is there an element of luck in success?

The guy who rises to the top is the one who has a little more drive than the others. But, on top of that, he has to be sort of lucky. Most of the time, if you talk to a successful man about his success, he'll say at some point in the conversation that he was just a little bit lucky in being at the right place at the right time.

I don't want to belabor that point, however, because while I'm a firm believer in luck as an ingredient in success, I also feel successful people manage to create much of the so-called luck for themselves.

In the matter of acquisitions, have you made any mistakes?

The worst one was getting into the insurance business in 1971. We treated it as an investment, but we violated a cardinal principle by not getting a top insurance man ahead of time to help us. That mistake cost us $5 million.

The same year, you acquired Edgcomb Steel. What was the thinking behind that?

Again, diversification. Also, Edgcomb had a most attractive feature beside the fact that it was a well-run company. It had absolutely no debt. This was our first little move toward balance sheet restructuring. Anything we could do to pull down the debt-equity ratio was highly desirable. Remember, we had borrowed $286 million to acquire Great Lakes Pipe Line.

Early in 1971 we also acquired the Suburban Companies. We deliberately went looking for a propane company because we thought it was something we had knowledge about. We were right.

You also bought Gulf Oil's fertilizer operations. Wasn't fertilizer a bit far afield for your company?

Our pipelines moved fertilizer solutions—we developed the process. Our success at fertilizer production is a pretty involved story, but it comes back to people.

We persuaded Kenneth Lundberg, who is now chairman of our Agrico Chemical Co., to come with us when we didn't have one dollar of fertilizer business. He was a personal friend who convinced me that the fertilizer business was going to turn around. I asked him if he was willing to put his chips where his thoughts were.

"I am convinced," I told him, "but I won't do it unless you join us. With your help, let's see if we can build a company." The record shows we went ahead and did it.

Persuading him to come on board was following your management philosophy of getting the top man?

We got the top man. All it takes is one man, and that is a terribly important point. Through him, you get the other top people. That was probably one of the most important decisions that I have made—to do whatever it takes to get the key man.

Events moved swiftly after that. We acquired Gulf's agricultural chemical business in 1971 and, less than a year later, Conoco's. We got in just as the industry turned around.

Last year, Agrico produced about 60 percent of our total revenues and profits.

Where do you go from here?

For the past three years, we have found that opportunities for growth and expansion within our own organization have been more attractive than opportunities that might come from achievable mergers. The record again speaks for itself—we have dedicated our financial muscle to internal opportunities.

Williams Center, your ambitious commercial development in downtown Tulsa, is one of your newest ventures. Why did you decide to build downtown?

After much soul-searching, we made the decision to build a new headquarters in downtown Tulsa. Sure, we could have built it in the suburbs, but we preferred the downtown location. Also, we're not unmindful of the fact that this development will give a much needed boost to urban Tulsa. All of our Tulsa-based subsidiaries will be housed in a 52-story building, the highest in the state.

In order to take this step, we had to be a profitable company—another indication that everyone benefits from profits. A corporate exercise in social responsibility can ultimately benefit the whole community.

How do you relax?

I play tennis with my wife on Sunday afternoon. I golf, and I like to hunt. I get involved in community activities here in Tulsa. I'm always a sucker for getting into things, and so I'm general chairman of the 1977 U. S. Open Golf Tournament that will be held here at the Southern Hills Country Club.

Why haven't any of your three sons followed you in The Williams Companies?

I've encouraged my sons to get into their own businesses away from the company. I wouldn't mind their coming into the company, but I only want them to come if they do it on their own volition. I don't want to just create a spot for them.

Right now, they are all involved in various things. I have explained to them that you only have one life to live and that if you can start a company and build it up, there is nothing that is more fun and more satisfying. END

REPRINTS *of this article are available from Nation's Business. See page 53 for details.*

A BICENTENNIAL SALUTE TO AMERICAN CITIES:

ATLANTA

PHOTOS: JAY AND DREW LEVITON

Cooperating to Solve Problems

If one were to pick a single word to describe the prevailing mood in Atlanta today, that word would be optimism.

But it was a pessimist who picked out the site for the city that started out as Terminus, later changed to Marthasville, and became known as Atlanta in 1845.

In 1837, Stephen H. Long, an engineer for the Western & Atlantic Railroad, drove a stake into the ground at what is now one of the major intersections in downtown Atlanta. Because it was at a point where a series of connecting ridges come together, he felt it would be an ideal spot for the end of a railroad.

"The Terminus," he advised his company, "will be a good location for one tavern, a blacksmith shop, a grocery store, and nothing else."

Memories of crinoline

Today, the 41-story First National Bank Tower looms above that site. A few blocks north, the world's tallest hotel, the new 70-story Peachtree Center Plaza, dominates the Atlanta skyline. In the hotel's shadows, a mammoth convention complex, the World Congress Center, is nearing completion.

Atlanta, of course, has mushroomed beyond almost everybody's expectations. Certainly, Stephen Long had no way of visualizing today's metropolis when he was exploring the Georgia countryside for a railroad terminus site. Nor did Union Gen. William Tecumseh Sherman, who probably felt the city—not yet the state capital—was destroyed forever when he put the torch to Atlanta during the Civil War. Nor, for

PHOTO: CENTRAL ATLANTA PROGRESS

Restoration of homes like this classic residence in Atlanta's Inman Park, close to downtown, is helping reverse the flight of Atlantans to the suburbs. This home is one of some 200 abandoned, dilapidated structures in Inman Park which have been restored to their original appearance. Such restorations have helped regenerate rundown, old neighborhoods near the center of the city.

Peachtree Center is the sparkling hub of a new downtown Atlanta, which was largely rebuilt in the boom years of the 1960's. During that period, 36 office buildings and hotels were erected. Since then, more than $2 billion in new private construction has gotten under way or is planned.

Atlanta is bustling, ambitious, and confident. It has urban difficulties, but it recognizes them, and civic leaders are working together toward solutions

that matter, did the late Gov. Eugene Talmadge, who kept a cow grazing on the grounds of the governor's mansion in the 1930's to point up the rural flavor that Atlanta then had.

With the outbreak of World War II, Atlanta's image began to change. No longer a sleepy southern town with memories of crinoline skirts and "Gone With the Wind," or of farmers strolling along the main drag, Peachtree Street, on Saturday afternoon, Atlanta became a big part of the "arsenal of democracy." A huge bomber plant in nearby Marietta and other defense plants attracted thousands of highly skilled workers who were to form the nucleus of the work force of many industries now flourishing in Atlanta.

Long dependent on agriculture, and criticized for inefficiency and untrained labor, Atlanta and the area around it began attracting new and larger manufacturing plants and their satellite businesses. With peace came prosperity, and a boom era was launched.

Today, Atlanta is bustling, ambitious, confident, and forward-looking. Atlantans exude civic pride. They are not content that, by almost every yardstick, their city is first in the Southeast; they want it to be first in everything. It is a hub of transportation and a major center of commerce, and it may soon pass New York as the No. 2 convention city, surpassed only by Chicago.

Atlanta is steeped in culture, boasts some of the finest medical and educational facilities in the nation, has a stable labor market, and is a mecca for professional sports.

The showpiece of Atlanta is its downtown.

Downtown Atlanta has been undergoing a multibillion-dollar face-lifting which got under way in the 1960's and was slowed only somewhat by recession. In one recent six-week period, three magnificent new hotels opened for business. The number of hotel and motel rooms has doubled in ten years. Mammoth sports arenas, civic centers, and municipal halls are part of the new face of Atlanta. A few miles north of downtown is the ornate new governor's mansion, first occupied by Gov. Lester Maddox in 1967.

Exterior and interior

Rich's, the famed Atlanta department store, captures the spirit of Atlantans in one of its local newspaper advertisements:

"What country lad wouldn't fall under the sway of the new downtown city? . . . Our most dedicated Yankee visitors come to do business and stay to play. Don't show a hardened Manhattanite the throbbing entertainment complexes of Atlanta and expect him to return content to his small, crowded island. . . ."

Glitter and glamour are what impress the casual visitor to Atlanta. These are real enough. But behind this exterior is an everyday city with the same kinds of problems that plague most big American urban centers.

Atlanta has crime, racial friction, and unemployment. In some areas, real estate development has gone from boom to bust. Whites continue a flight to the suburbs, and the quality of public school education is in question. Downtown traffic congestion is acute, and facilities at Hartsfield Atlanta International Airport—only Chicago's O'Hare is busier—are taxed to the limit.

A subject which dominates conversation in Atlanta is black political power as epitomized by Maynard Holbrook Jackson, who took office as the city's first black mayor in 1974. Fifty-five percent of Atlanta's population of 475,000 is black.

In the Atlanta metropolitan area as a whole, about 20 percent of the population is black. Metropolitan Atlanta has a population of 1.7 million, distributed over seven counties: Fulton, in which the city itself is located; DeKalb; Cobb; Gwinnett; Clayton; Rockdale; and Douglas.

The shift of power in the city has not been without trauma. A decade ago, virtually all the shots were being called by a handful of influential white leaders. As the ratio of whites to blacks shifted and a black majority emerged, it was apparent Atlanta faced political changes. Some members of the white power structure saw the handwriting on the wall. In 1973, they decided to back Mr. Jackson, an articulate 34-year-old lawyer who was vice mayor, for the top job at City Hall. The backing included substantial financial resources.

Brief honeymoon

Maynard Jackson was seen as the key ingredient in a new coalition of business and politics that would keep Atlanta moving toward its goal of being the best in everything. The honeymoon was brief.

The mayor and the white business community that helped put him in office were soon at odds with one another. Influential whites reacted bitterly when the mayor promoted his administrative aide, A. Reginald Eaves, to public safety commissioner. Mayor Jackson had been feuding

Mayor Maynard H. Jackson and John E. Wright, transit authority chairman, at a construction site being cleared for the new $2.1 billion rapid transit system. The mayor (left) was 35 when he took office in 1974. He runs a city that is 55 percent black.

Dan E. Sweat, Jr., president of Central Atlanta Progress, and a table model of downtown Atlanta. C. A. P. is an association of businessmen and property owners who have been active in the revitalization and development of central Atlanta.

"Our No. 1 problem is retaining the confidence of the taxpaying middle class," says W. Wyche Fowler, lawyer and president of the City Council. The council is composed of nine whites and nine blacks. They rarely vote along color lines.

Richard Kattel, 39-year-old chairman and president of The Citizens and Southern National Bank, has been a leader in the drive to bring black political power and white financial power together in Atlanta. He was an early supporter of Mayor Jackson.

Ivan Allen, III, and his father, Ivan Allen, Jr., former mayor of Atlanta, have been at the forefront of numerous civic and business endeavors. Both are past presidents of the Atlanta Chamber of Commerce.

Joel Goldberg, president of the famed Rich's department store firm, is the new president of the Atlanta Chamber of Commerce. He has launched a chamber project called "Talk Up Atlanta" to remind Atlantans "of the good things this town has to offer."

with then-Police Chief John Inman, and Mr. Eaves' new title made him the chief's boss. A few months earlier, Mr. Jackson had lured the controversial Mr. Eaves, an old college chum, from a city job in Boston.

Exodus feared

At about this same time, Central Atlanta Progress, an organization composed of large property owners and businessmen dedicated to preserving and uplifting the downtown section, warned the mayor that some firms were planning to leave downtown because of concern over crime and racial tension. The firms also were concerned about the lack of close-in housing and a poor pedestrian environment.

Contributing to the schism between City Hall and the business community was an edict handed down by Mayor Jackson that minority businesses would share in all city contracts. White businessmen claim they are not against the mayor's joint venture scheme per se, but they argue that qualified black contractors are not always available to participate in city work. Insistence on joint ventures has, for example, held up work on a badly needed $400 million expansion of the airport.

There are signs, today, however, that differences between the mayor and most of the white business leaders are less pronounced. In fact, these two high-level forces, representing political strength on the one hand and economic strength on the other, are seeing eye to eye on many issues.

Compromise and cooperation

Even Maynard Jackson's detractors concede he had more than the usual problems to overcome when he became mayor. His youth and inexperience were among the problems, and he took office at a time when the

ravages of inflation and unemployment were setting in. Also, he was faced with implementing a council form of city government which had just been approved by voters.

Richard L. Kattel, 39-year-old chairman and president of The Citizens and Southern National Bank and an early financial backer of Maynard Jackson, sums up another aspect of the mayor's problems this way:

"It has been traumatic having the black community with the political strength and the white community continuing to hold the purse strings."

Concession, compromise, and cooperation are emerging as watchwords in the relationships between these two dominating forces. Communication is steadily broadening between Mayor Jackson, Central Atlanta Progress, and the Atlanta Chamber of Commerce—which concerns itself with all of metropolitan Atlanta, not just downtown. Differences are being aired more at the conference table and less in the public press.

Businesses stay—and expand

Together, the mayor and the two organizations successfully petitioned U. S. Steel not to move one of its major offices from downtown Atlanta to the suburbs. Southern Bell Telephone and Telegraph Co., after some soul-searching, decided to build new headquarters downtown. Coca-Cola is going ahead with a \$50 million first-phase expansion of its international corporate headquarters.

Last November, a group of leading insurance executives whose companies have invested some \$1.4 billion in Atlanta real estate attended a meeting in the Georgia capital with local business, political, and civic leaders. It was a candid probe of Atlanta's problems. The insurance companies were concerned. Afterward, Equitable Life Assurance Society of the United States Chairman John T. Fey said: "Atlanta has been very objective in handling its problems. We don't regard things as being out of control here."

Joel Goldberg, president of the 109-year-old Rich's department store firm and new president of the chamber of commerce, is confident Atlanta's problems will be resolved. He says of his fellow businessmen:

"We have a dedication to this city, and we have an investment in it. If we have failed in anything, it has been in selling ourselves. We have sold Atlanta to the world but not to Atlantans."

When Mr. Goldberg took over as chamber president, he said Atlanta "cannot afford to be a city versus suburbs, or black versus white, or rich versus poor, or labor versus management, because we risk having both sides lose."

Good race relations

Atlanta suffers racial tensions, but it has had remarkably good race relations, even during the violent racial upheavals of the 1960's. A major reason for this is Atlanta's six black universities, which have helped create and anchor a solid black middle class in the city.

"From an economic standpoint, Atlanta probably has the most successful black population in the country," says Ivan Allen, III, a prominent businessman who preceded Mr. Goldberg as president of the chamber.

"The most effective and responsible black leadership has been provided by these six universities."

Mr. Allen says this kind of leadership made it possible for Atlanta to be responsive to needs of black citizens in days when many other communities were not.

As far as relations with Mayor Jackson are concerned, he says, some of the doubts and suspicions held by businessmen are being dissipated.

"Mayor Jackson did not come out of the business community as most previous mayors have," he explains. "So his perspective has been different from that of his predecessors. I will say this, though. Maynard Jackson has made some changes in his approach and we've made some changes in ours."

Safety from crime

Mayor Jackson, who facetiously refers to himself as the "youngest, fattest, blackest mayor" in Atlanta history, says:

"I had good business support when I was elected and there has been

Delta flies more people to and from Atlanta than any other airline.

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some erosion of this support. But it's coming back around.

"Keeping downtown Atlanta strong is just as important to the poor black and white people of Atlanta as it is to the businessmen.

"We have full confidence in Atlanta and its future."

Mayor Jackson pooh-poohs the idea that street crime has made downtown untenable for visitors or local residents.

"We have crime commission statistics to show that the safest spot in Metropolitan Atlanta is right downtown," he says. "Atlanta is a reasonably safe city."

Fiscal conservatism

The mayor takes pride in the fact that Atlanta is fiscally solvent and that it continues, year after year, to maintain top ratings on the municipal bond markets. City law has long provided that each new city budget cannot exceed 99 percent of the previous year's revenues.

Mayor Jackson says of Atlanta and its people:

"We are ideologically liberal and fiscally conservative. That's a combination that can work, and we are proving it."

"Poppycock" is his reaction to charges that his joint venture program is either slowing down work on essential city projects or forcing use of unqualified contractors.

He asserts that although the choice among contractors competing for city jobs is sometimes limited to minority members, "the lowest and best-qualified bidders must get the jobs."

Mr. Jackson adds: "We don't apologize for standing up for what's right. This has nothing to do with any quota system. What we are doing is making the blacks competitive where they were not before."

Not black or white—green

The youth and inexperience which Maynard Jackson brought to City Hall were not totally out of character with much of the membership of the new City Council. W. Wyche Fowler, who was 32 when he was elected president of the council in 1973, explains:

"The elected leadership of Atlanta is neither black nor white; it's green. For many of the 18 council members, it's been on-the-job training. About six of the black members were under 30 when they were elected."

Council members—there are nine whites and nine blacks—rarely make issues a matter of white versus black. In fact, says Mr. Fowler, in the 60 or so times he has been called on to cast a tie-breaking vote, less than a quarter of the council votes were along racial lines.

In Mr. Fowler's view, Atlanta still is in a state of transition, but he sees new alliances developing which all are in the city's favor.

"Our No. 1 problem is retaining the confidence of the taxpaying middle class," he says. "The change has been substantial and it has been abrupt. But I see ourselves coming out on top. The big issues are out in the open now."

Citizens and Southern National Bank's Richard Kattel agrees. He says: "I don't think the problems are bigger than the people. We recognize our problems; now, we're looking for solutions."

Expanding the tax base

Among such problems, according to Mr. Kattel, is a need for the city to expand its tax base, and he says one way to do that is to expand the city boundaries. But this will not be easily accomplished. Blacks inside the city don't want to dilute their newfound political strength. White suburban residents, already fearful of school busing, look at Atlanta's 85 percent black schools and are not eager to become part of the city. They are also fearful of city taxes.

But the business community, meanwhile, is pressing ahead with programs for improving the quality of life inside the city. Says Banker Kattel:

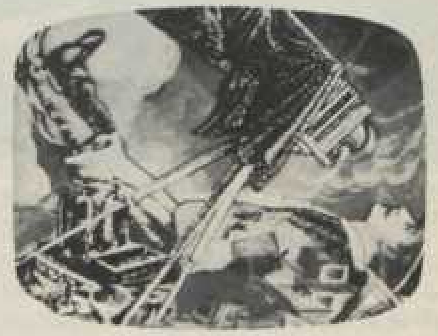
"Financial institutions are pouring funds into the city. For example, the banks got together and in one 30-day period raised $35 million in mortgage money to help save some of our local neighborhoods."

Atlanta businessmen are not reluctant to discuss the city's shortcomings as well as its virtues. Typical is Delta Air Lines Chairman

A Bicentennial Salute to American Business

(Trumpet fanfare.)

In 1878, photography was a complicated and messy business.

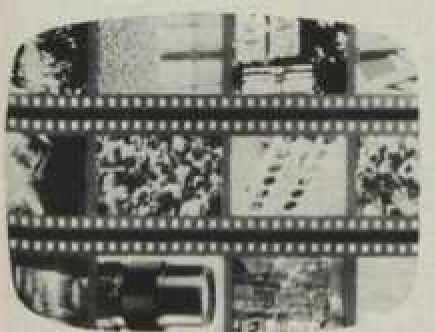


And only for the stouthearted.

But a young bank clerk named George Eastman believed there could be an easier way to take pictures.

Experimenting at home he invented a new kind of film and the simple Kodak camera.

By 1900, he introduced the Brownie camera priced at $1. So simple a child could operate it. And almost anyone could afford it.



Today, products from Eastman Kodak affect everyone's life—aiding science and medicine, business and industry through photography.

This has been a presentation of the Chamber of Commerce of the United States

in celebration of America's Bicentennial.

This is one of a series of educational public service messages being shown on television across the nation. They are based on articles which appeared in Nation's Business.

The Atlanta business community, says Delta Air Lines Chairman W. T. Beebe, is willing to speak out on what's wrong as well as what's right with the city. "Atlanta," he says, "is very objective in self-evaluation." Delta is headquartered in Atlanta.

Jessie Hill, Jr., president of Atlanta Life Insurance Co., runs one of the most successful black enterprises in America. Mr. Hill is vice president of the Atlanta Chamber of Commerce, and he is in line to become its first black president.

Russell G. Henderson, vice president of operations in the eastern U. S. for Honeywell Information Systems, Inc., gave up a top job with another company so that he could join Honeywell and stay in Atlanta. Mr. Henderson heads a staff of some 600.

John N. Sullivant, Jr., divisional agency vice president of the Equitable Life Assurance Society of the United States, says Atlanta's long-range future lies in attracting more light, clean industry such as electronics companies.

Thomas R. Williams, president of the First National Holding Corp. and the First National Bank of Atlanta, says renewed consumer confidence and real estate sales are helping the city to surge ahead. Banks have had a big role in Atlanta's development.

Herman J. Russell is a major Atlanta building contractor and one of the nation's top real estate developers. He is part owner of the Atlanta hockey and basketball teams, the Flames and Hawks, and is chairman of the Citizens Trust Bank.

W. T. Beebe. Next to Southern Bell, Delta, headquartered in the Georgia capital, is Atlanta's biggest employer. Some 11,000 of Delta's 28,000 employees are based there. Says Mr. Beebe:

"Atlanta is very objective in self-evaluation."

Bolstering relations

The Delta executive is high on the list of businessmen working to bolster relations with City Hall. Mr. Beebe says:

"In the beginning, Maynard Jackson felt he could make no mistakes. That is changing. He's doing more than seeking counsel; he's following it."

Atlanta's greatest business expansion occurred under the administration of Mayor Ivan Allen, Jr., who served two terms from 1962 to 1969. In that period, most of the great building boom took place. The number of jobs rose from 300,000 to 600,000, and unemployment dipped to 1.8 percent.

It was also a period of civil rights violence, from which Atlanta generally was spared. Mr. Allen has a large photograph of Rev. Martin Luther King, Jr., on the wall of his office at the Ivan Allen Co., a chain of Deep South office supply stores founded by his father. The former mayor and his son, Ivan Allen, III, the recent chamber president, now run the chain.

"We lived through this period and came through it in good shape," Mr. Allen says. "It was obvious at the time that Atlanta was going to have a predominantly black population, so we faced the problems and they are being worked out."

Subway under construction

Mr. Allen concedes that Atlanta may have overbuilt during the boom period of the 1960's, but he feels the

city will catch up with itself in another three or four years.

The pace of construction in downtown Atlanta is likely to continue for some time to come. Construction of more than $2 billion in private projects, either under way or planned, will be tapering off at about the same time major work is in progress on a new $2.1 billion rapid transit system. Fifty-three miles of rail rapid transit, including ten miles of subway, will be part of the system, which is due to be completed in 1980.

Labor tranquility

John Portman, the noted Atlanta architect whose many building projects add character to the city's skyline, says his hometown is probably doing more than any other American city to preserve and enhance its downtown. He gives credit to enlightened local government and enlightened private enterprise.

All cities, he says, can bolster their downtown if they will do what Atlanta has done—pool the strengths of all their institutions.

During the boom years and since, Atlanta has experienced tranquil labor conditions. While organized labor has not achieved in Atlanta the kind of foothold it enjoys in northern industrial cities, most major firms in the area have long been heavily unionized. Delta Air Lines is an exception, with only its pilots belonging to a union.

"I have a feeling that some of our civic leaders are not anxious to bring in businesses and industries that are not against unionization," says John E. Wright, president of the Atlanta Labor Council who also serves as chairman of the Metropolitan Atlanta Rapid Transit Authority.

"Still, we have good labor relations with some of the big Atlanta employers—Lockheed, Ford, General Motors, and Bell Telephone—who are more sophisticated."

One trouble spot in the labor picture is public employment. There is agitation among public employees for union recognition. Even though state law prohibits unionization of public employees, more and more such workers are joining unions. Court suits are pending which would determine whether public service unions are legal.

Citizen patrols

Dan E. Sweat, Jr., president of Central Atlanta Progress, says a notable example of cooperation between City Hall and downtown businessmen is the full support the mayor has given the C. A. P. Downtown Environmental Patrol, launched last fall. Businessmen, religious leaders, and others conduct weekly walking tours of the downtown, noting litter, malfunctioning street lights, broken sidewalks, and violations of city codes. The city recently created 60 public works jobs in which workmen promptly correct conditions reported by the patrol.

More than that, Mayor Jackson has stepped up police surveillance of the downtown area, in part be-

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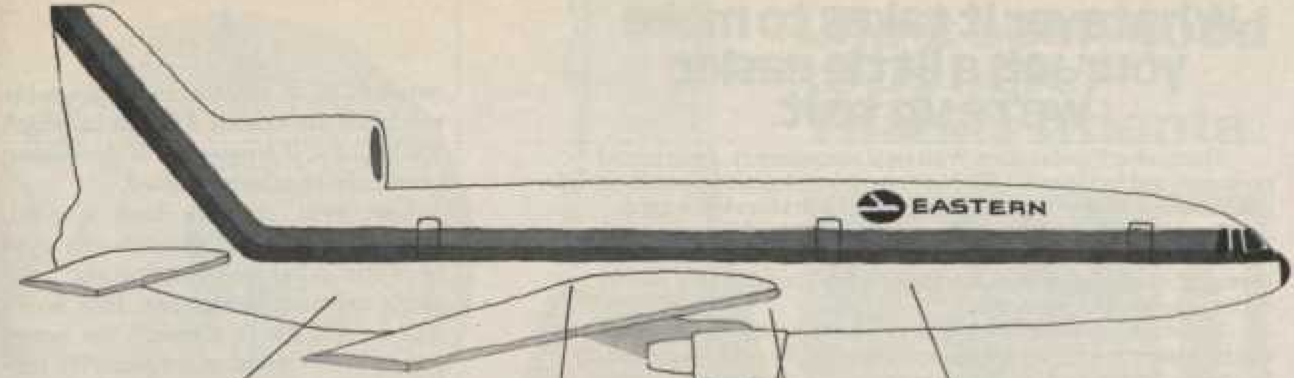

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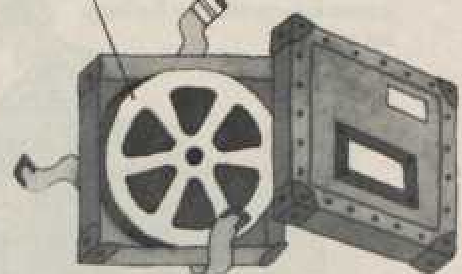

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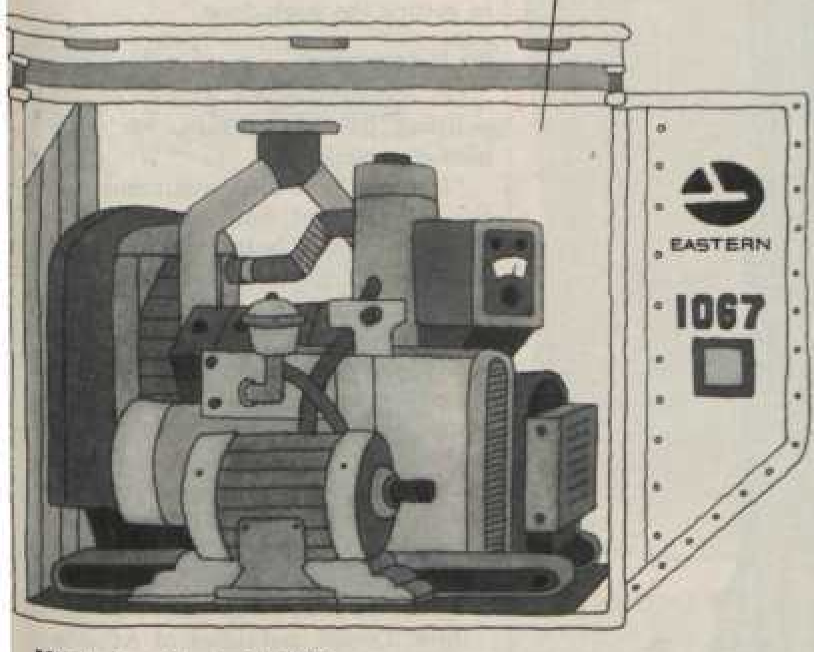

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cause C. A. P. maintains a huge table model of downtown Atlanta in which the types and frequency of downtown crime are regularly plotted.

Last year, Atlanta took a good, hard look at itself through the eyes of "The Atlanta Constitution," the city's morning newspaper. In a series titled "A City in Crisis," the newspaper interviewed more than 30 top-drawer politicians, civic leaders, and businessmen, probing Atlanta's problems in a way that raised many civic eyebrows. The newspaper was inundated with letters, some praising, some condemning the frank assessment.

"Atlanta is not a city without solutions," wrote Thomas K. Hamall, executive vice president of the Atlanta Chamber of Commerce. "Atlanta is not a city that has stopped trying. Atlanta is not a city whose citizens have turned their backs. . . . Let's keep in mind that we're a city . . . with a proven record of success in getting the work done."

In it together

On the subject of Atlanta's new political power structure, Mr. Hamall commented:

"It's true that the constituency of city government has changed. It's also true that both 'groups'—the black community now feeling strong representation in government for the first time, and the white business community now perceiving the loss of government representation after many years of what was a successful coalition for this town—are feeling Atlanta's growing pains. But both groups have everything to lose and nothing to gain by becoming polarized on governmental issues and by avoiding the long-range picture."

Jack Tarver, publisher of Atlanta Newspapers, the company which owns "The Constitution," writes a column in the newspaper called "Our Town." Appraising the impact of the series on readers, he wrote:

"We're all in this thing together, black and white. And our town's problems can best be solved, not by ignoring them and hoping they'll go away, but by recognizing and admitting them and working together—black and white—for a solution."

END


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What to Watch for in Congress in the Months Ahead

There are legislative proposals on Capitol Hill that would help business and there are others that would hurt it. Here is a rundown

As the nation moves closer to election day, 1976, there is one forecast which can be made with certainty:

Practically every move in the second session of the 94th Congress is going to be considered in relation to its political impact at the polls next Nov. 2.

The big battle still to come in Congress centers around the size of the budget. How big will the deficit be? What impact will federal spending have on inflation—which many still consider the major threat to the economic recovery?

This battle, as well as those centering around a long list of other major issues, continues to bring the Republican administration and the Democrat-controlled Congress into sharp conflict.

The record so far shows a majority of members of Congress favoring higher spending in many areas, with the administration opposed. In a few areas—namely, defense and foreign aid—the situation is reversed.

Close calls on vetoes

President Ford has vetoed scores of bills, usually on the ground that they were not fiscally responsible, and he has made the overwhelming majority of the vetoes stick because it takes a two-thirds vote in both the House and Senate to override.

Often, the outcome on a presidential veto has been in doubt until the last minute.

In the case of a controversial bill to set up a consumer protection agency, proponents of the measure are so much in doubt that they have delayed the arrival of the last minute.

The bill, opposed by business as duplicative of consumer protection efforts already in effect, passed the Senate 61-28 and squeaked through the House 208-199. The House vote was so close that congressional leaders have put off sending the bill to the President, giving consumer organizations time to pressure representatives. A presidential veto has been promised, and advocates of the measure, who include Ralph Nader, hope delay will produce enough of a margin to override a veto.

As campaigning steps up, there are indications that more and more conservative Democrats and Republicans, swayed by the voter appeal of measures they otherwise would reject, will support such measures. If so, this will make two-thirds votes against the President's positions easier to obtain.

In asking Congress for a $394 billion budget for fiscal 1977, which starts Oct. 1, President Ford anticipated a deficit of $43 billion. To keep the deficit at this figure, he called for a tightening of welfare programs, including revamping of the food stamp law; a cutback in the federal work force; and tax changes that would encourage industry to create jobs.

The Congressional Budget Office projects a budget of $425 billion, with a deficit of $65 billion, contending this is the minimum the federal government can spend to keep the economy perking up.

Drastic effects on business

Even the Congressional Budget Office figures could be blown apart if a number of bills scheduled for congressional action are passed.

Among these are measures that would expand unemployment benefits and launch a national health insurance program—either partial or complete. In addition, there is likely to be another effort to provide a vastly increased government-guaranteed jobs program.

Bills drastically affecting business

that might get off the ground this year include the Toxic Substances Act, which provides that plants can be closed without a clear-cut finding of danger. Other measures press for more stringent environmental controls and workmen's compensation changes that would raise employers' costs as much as 50 percent in this system of compensating workers for job-related accidents or illnesses.

Energy measures abound, including three which would break up the major oil companies—vertically or horizontally.

Oilmen counter that theirs is already one of the most competitive and least concentrated industries in the country, and they question whether a fragmented industry has any chance at all of accomplishing the bills' ostensible purpose: providing more oil and lowering prices.

Rather, oil companies contend the bills would be catastrophic in their effect on capital formation and expanded domestic exploration.

A bill on unemployment compensation approved by the House Ways and Means Committee would boost the taxable wage base from $4,200 to $8,000 a year and raise employers' costs as much as $6 billion annually.

A higher minimum wage?

Before congressmen take time off this summer for campaigning, a strong push for a proposal to hike the minimum wage is expected to intensify. The minimum for most nonagricultural workers would rise to $2.65 next July 1 and $3 next Jan. 1 from its present $2.30 level, and the minimum for most agricultural workers would increase—in steps—to $3 on Jan. 1, 1978, from its present $2 level. The standard overtime rate would jump from time and a half to double-time and a half.

There is also a provision to inflation-proof the minimum wage by providing for automatic increases.

Employers argue that the higher the minimum wage goes, the more difficult it is in the job market for many people—particularly the untrained or low-skilled and youth.

Opening up opportunities for jobs is one of the more politically potent issues before Congress. A bill sponsored by Sen. Hubert H. Humphrey (D.-Minn.) and Rep. Augustus F. Hawkins (D.-Calif.) is dubbed the Equal Opportunity and Full Employment Act. It would authorize government-subsidized jobs in private industry and create jobs in government. The price tag at one point was set at $15 billion. Although this

OUTLOOK ON KEY LEGISLATIVE ISSUES

Here is a rundown on the chances for congressional action on measures of special interest to business.

Taxes

Tax cuts voted late in 1975 and expiring July 1 are likely to be extended for all of 1976. But prospects are less certain for adoption of President Ford's proposals for additional tax reductions. Longer range tax reform will be limited in scope. Congressional approval of the President's recommendation for an increase in the Social Security tax rate is unlikely.

Government Spending

There's almost no chance the federal budget will be held to the $394 billion proposed by Mr. Ford. More likely: Congressionally approved increases that will hike the budget to at least $400 billion, perhaps $420 billion.

Defense Outlays

Congress must decide "how much is enough" for national defense. Prospects are that such spending will be trimmed, certainly below the $8.9 billion increase Mr. Ford seeks.

Unemployment Compensation

Increases in taxes, which are paid exclusively by employers, are anticipated this year. Business recognizes the need for additional revenues for the jobless benefits, which soared to $18 billion last year from $4 billion in 1972. The business community, however, opposes other proposals that would impose uniform federal standards on qualifications and the amount and duration of benefits. Individual states now make those determinations.

Minimum Wage

A bill to raise the minimum wage is now being pushed by prolabor forces in Congress and has a good chance of passage—unless the other side is able to marshal more strength against it.

No-Fault Auto Insurance

The Ford administration is opposed to a national no-fault law, but there's about an even chance that Congress will pass a bill authorizing federal standards.

Right to Privacy

No early action is expected on the bill introduced by Rep. Barry M. Goldwater, Jr., (R.-Calif.) and Rep. Edward I. Koch (D.-N.Y.). This measure would create a Federal Privacy Board and provide privacy safeguards covering automated and manual data collection systems. It would apply to public entities, including state and local governments, and private entities, including businesses. The bill would prohibit use of the Social Security number or any other universal identifier for purposes of records.

bill is expected to be amended before coming to any vote, it is emerging as a stalking horse for numerous bills of similar nature.

One labor-oriented bill would create a National Employment Relocation Administration. Employers would be required to give two-year advance notice to the Secretary of Labor of any intended plan to close a plant or relocate it. The employer would have to justify his decision to the new agency. A business that couldn't satisfy the government as to reasons for the step could lose important tax benefits for up to five years.

Tax changes proposed

The President has proposed cuts totaling $27.5 billion in corporate and individual taxes. On the other hand, he has asked for an increase in Social Security payroll taxes to shore up the dwindling reserves of the retirement program. Congressional tax-writing committees, however, have rejected the President's proposal, which would raise the present 5.85 percent tax rate to 6.15 percent on both employer and employee.

Pending tax proposals that would benefit business include:

- A cut in the top corporate tax rate from 48 percent to 46 percent.
- Establishment of the tax credit for business investments in plant and equipment at a permanent level of ten or 12 percent. Under present law, the figure would drop back next Jan. 1 to seven percent from ten percent, where it has been since the start of last year. The President favors a permanent ten percent level; the business community favors a 12 percent level.
- Tax deferrals for funds invested in stock-purchase plans set up by employers or individuals.
- Extra-fast tax write-offs for capital outlays by business in areas of high unemployment.
- Special tax relief for electric utilities to expand generating facilities.

The public's mood

Many of the issues still in the congressional pipeline will be affected by the public's general mood over the next few months. With all 435 House seats plus 33 Senate seats on the line at the polls, candidates are going to be testing this mood before casting final ballots on Capitol Hill.

That's typical of an election year. Typical of any year is a requirement for businessmen to be alert to legislation that vitally concerns them. END

Revenue Sharing

Extension of this legislation beyond the end of 1976 is in the cards. State and local government officials back the administration's request to continue the program. President Ford has asked Congress to extend revenue sharing for nearly six years, at a cost of $40 billion. In the five years ending next Dec. 31, the program will have cost $30.2 billion.

Consumer Protection Agency

If congressionally passed legislation to set up such an agency reaches the White House in present form, it will be vetoed. The House and Senate may try to work out a modified, compromise bill, but there's still little chance the White House will accept any measure of this type.

Energy

The Federal Energy Administration's life will be extended. Funding for the Energy Research and Development Administration will be reviewed and continued. Some efforts to end natural-gas price controls are continuing despite a setback in the House.

Land-Use Controls

This bill was defeated once in the House, but there may be a move in the Senate to try for it again. It calls for grants to states for comprehensive programs, which, among other provisions, would require environmental, economic, and social assessment of land use.

National Health Insurance

Enactment of a broad national program has little chance. The most that will happen is election-year debate on the issue.

Food Stamps

A law is almost certain to be enacted that will set tighter standards for eligibility and will curb abuses in the present program.

Illegal Aliens

A law prohibiting employers from knowingly hiring illegal aliens is a good bet.

Regulatory Reform

Administration proposals to ease federal regulation of the airline and trucking industries will be debated, but early action on either of these proposals is questionable.

OSHA Reform

A bill to amend the Occupational Safety and Health Act was passed in the House, but it is going nowhere in the Senate. It would provide a system of on-site consultation without penalties, ease the economic burden of compliance, and provide more equitable enforcement procedures.

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We at Phillips Petroleum think that the responsibility for doing this lies with the people who work at the heart of the system: America's businesses.

Letters to the Editor

continued from page 19

The difference arises in trying to define a free press. Mr. Kilpatrick implies the press lacks freedom because of interference from the courts. I think I am about as free as I can be as an individual and probably about as free as I can stand. I feel that my city's government is about as free as it can be. Yet both myself and the city are subject to restraint from judges, for someone must determine the point at which the exercise of our freedom begins to interfere with the rights of others.

Does Mr. Kilpatrick suggest that a newspaper should enjoy more freedom than I as a person or more freedom than our governments enjoy?

TOM TODD
City Attorney
Arlington, Texas

Nuclear plant perils

Your item, "Nuclear Power Gets a Shot in the Arm," in "Business: A Look Ahead" [January], does a disservice to your readers who do not have other sources of information on this subject.

[The item noted U. S. Nuclear Regulatory Commission findings that risks from nuclear power plants are very low compared with hazards from other sources, natural or man-made. After receiving the report, the item noted, Congress approved extension of the Price-Anderson Act providing federal insurance payments for injuries caused by nuclear reactor accidents.]

The Price-Anderson Act is essentially a government subsidy to the nuclear industry. This is the only industry which does not have to accept full responsibility for damages. The industry says that, without this governmental protection, it could not survive.

The accident probability figures you quoted are soothing but not realistic. First, the most critical safety factor, the emergency core cooling system, has never been fully and successfully tested. Nobody even knows if it would work if needed to prevent a reactor core meltdown. Another serious safety question that must be considered fully is the possibility of sabotage of a nuclear plant.

RODNEY A. SMITH
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San Francisco, Calif.

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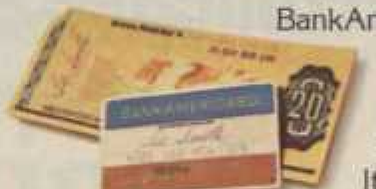

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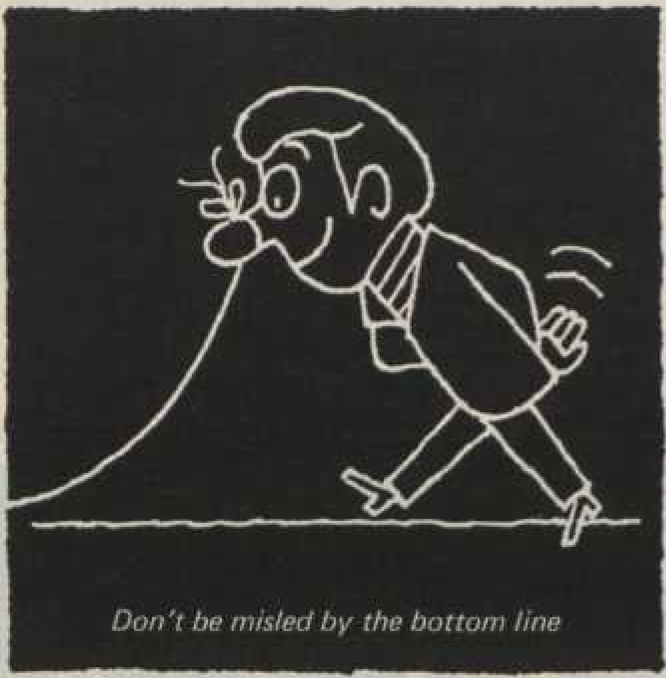
Shedding More Light on Your Firm's Future

BY AUREN URIS



Don't be misled by the bottom line

It's what's behind that counts

DRAWINGS: CHARLES A. DUNN

The bottom line is important, but if you think it is all-important, you're in a trap. Proper analysis will help you get out of that trap

"I go right for the bottom line," says an executive who likes to think of himself as a managerial tiger.

It's fashionable to regard the bottom line as the be-all and end-all of executive effort. One result is that a practice with some validity is distorted and made misleading.

Results-oriented management is a perfectly viable concept.

Three fallacies

Businesses—small, medium, and large—may stand or fall on the basis of a bottom-line figure. Usually, the bottom line means net profit or loss. By extension, it can denote final results of any kind—the number of units made or sold, costs cut, or payrolls trimmed.

But in any instance, the final figure—standing alone—does not tell the whole story.

There are three fallacies behind the assumption that it does.

1. Hidden weak spots. Like a bikini, a final net figure reveals a good deal. However, what it hides may be at least as important.

For example, take Pete Taylor.

He is sales manager for an industrial equipment trade journal. Each monthly issue consists of about 100 pages of advertising held together by about 20 pages of editorial matter.

Mr. Taylor directs the sales force that sells the advertising. This kind of selling is highly competitive. To do it successfully takes good salespeople.

To trim costs, Mr. Taylor gives each newly hired salesperson one week's training plus about a week's selling in the field with a sales veteran. Then the newly hired are cut loose to sell on their own.

To measure his department's performance, Mr.

Taylor looks each month at the total number of pages sold. Since he's in the black and the number of pages sold is higher than last year's total, he feels he's doing O. K.

But Mr. Taylor is kidding himself. In fact, he's doing quite badly. For one thing, total advertising revenue is modest, at best. For another, his competition, the advertising manager at a rival publication, runs his shop at a much better profit level.

Mr. Taylor is also ignoring another fact. His sales force is suffering badly from a heavy turnover. Many of his salespeople fail and quit, partly because of inadequate training or poor recruiting.

Yet, Mr. Taylor is lulled into false optimism by looking at sales figures alone. He ignores the direct and indirect losses that result from a sales operation that is merely limping along.

The hidden weak spots in Mr. Taylor's bottom line extend to his entire sales operation. In other cases, the unseen danger points may be limited to a specific business area.

Take a company where the overall figures may seem quite favorable. If some departments are unprofitable—as a result of excessive overtime, high reject rates, excessive downtime, and so on—a bottom line in the black is no cause for cheers.

Weak performance somewhere is being disguised for the present. It may erupt later.

2. Misleading conclusions. In some cases, final figures may suggest a false conclusion. Here's an example:

Jack Roote and Henry Kinsella are production managers in charge of two different departments. A semi-annual report shows Mr. Roote's operation is a healthy 20 percent above his quota, but the other operation is several percentage points below Mr. Kinsella's quota.

As a measure of performance, the bottom line seems to tell a clear story. Mr. Roote is on the ball, but Mr. Kinsella is a marginal manager. However, there are other possibilities. Among them:

- Uneven goal-setting.

The executive who set the production targets for the two departments may have given Mr. Roote goals easy to achieve. At the same time, he may have set Mr. Kinsella's at an extremely demanding level.

- Unequal problems.

Even if both goals were set properly, the breaks may have favored Mr. Roote, while bad luck hurt Mr. Kinsella. For instance, Mr. Roote may have had long-production-run jobs, familiar to employees and produced fairly easily.

On the other hand, Mr. Kinsella, perhaps because of poor planning by production control, could have had just the opposite experience. He may have been stuck with a lot of short-run items, requiring much changeover, major rearrangements of equipment, and other related problems.

Mr. Roote may have been able to make his favorable showing while figuratively sitting on his hands. With the breaks against him, Mr. Kinsella may have used great initiative and ingenuity to make even as good a showing as he did.

The bottom line doesn't say this.

3. The possibility of long-range losses. It's no secret that a bottom line—whether we're talking about money, units produced, or any other final result—can be made to look good by stacking the cards. This is one example:

A sales manager pulls every string he can to make a quarterly sales figure look good. He makes all kinds of concessions on price or delivery dates to land orders. He tells his men in the field to bring in all their regular business early by cajoling or wheedling good customers.

The result is an outstanding sales total for the period.

But the sales manager has depleted potential sales for the next quarter. The results will finally reflect this borrowing from the future.

Avoiding the trap

As veteran executives know, a bottom line has no predictive value. At best, it tells you what has happened.

It sheds no light on the future.

What's needed is a counterbalancing concept—a practice that might be called bottom-line analysis.

To do it, you go back up the columns, searching for operating realities. You become as interested in learning how the bottom line was achieved as in the figure itself.

Questions like these can make the bottom line take on more meaning:

- Any surprises in the contributing figures? Are they better than expected—or worse? If so, why?
- Zero in on strong points—and weak points. Which factors or items helped build favorable subtotals? Which factors pulled them down?
- How can strengths be extended and weaknesses modified?

There's nothing wrong with being results-oriented. It's only those who think a total figure tells all who don't know what the results really represent. It is they who face the possibility of future disappointment and failure.

When you do know what the bottom line really stands for, you're on solid ground. END

MR. URIS is managing editor for associate membership, The Research Institute of America, Inc., New York. Reprints of this article are available from Nation's Business. *See page 53 for details.*

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Nation's Business

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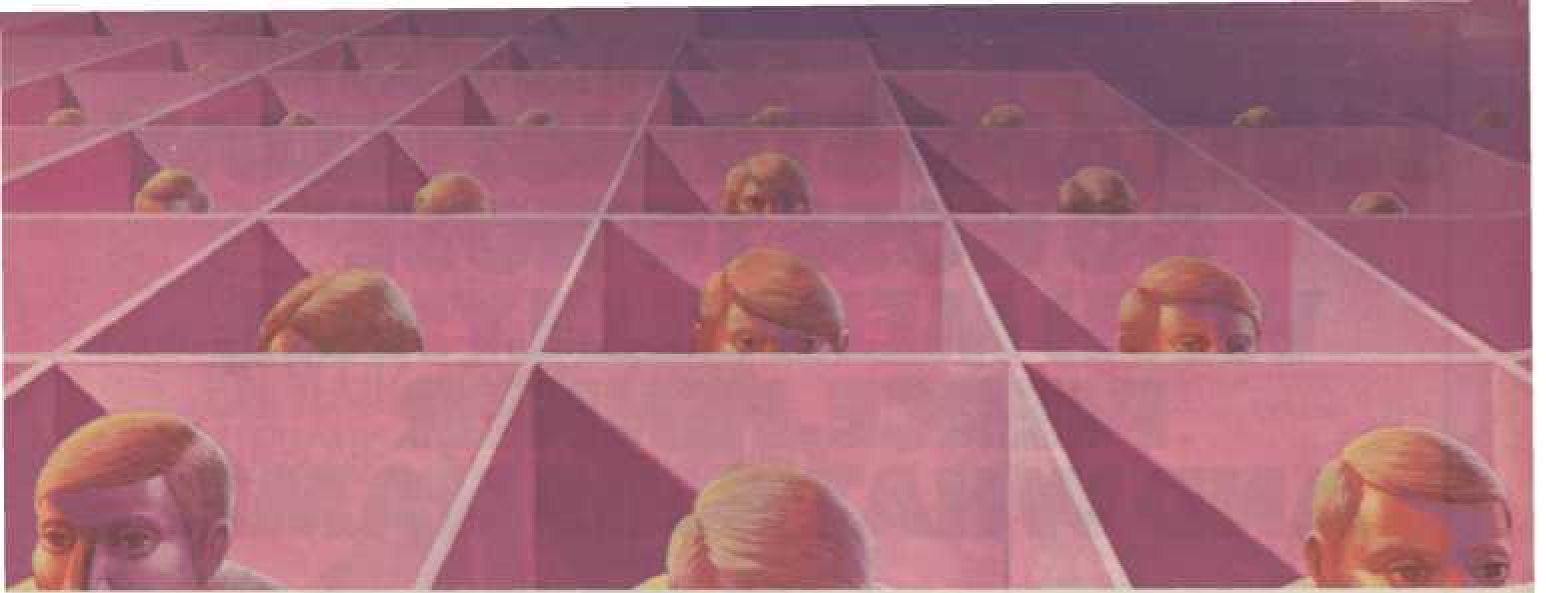

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By GROVER HEIMAN, Associate Editor

BUSINESS: A LOOK AHEAD

Shorter Working Hours May Be Decreed in Trucking

The Federal Highway Administration not only is reviewing the regulations that say how long a driver of a commercial vehicle in interstate or international commerce may remain behind the wheel, but it just may put the working hours of mechanics, loaders, and helpers under regulation, too.

Other employees beside drivers directly affect the safety of operations of trucks and buses, the agency points out.

Thus, the highway administration is considering getting into the business of regulating the hours of the people who repair and maintain the vehicles, load and unload them, and perform other services. The latter could include armed guards on armored trucks, hostesses on buses, or even attendants caring for livestock.

Maximum working hours for drivers were first set by the Interstate Commerce Commission in 1937.

The teamsters union and other driver groups have been campaigning for shorter hours, citing a safety threat from driver fatigue. The highway administration has been studying the effect of fatigue on drivers and on driver's helpers, mechanics, loaders, dispatchers, and others as well.

Comments from the industry, labor, and the general public are being accepted through July 30.

Broadcast Signals Checked for Possible Health Peril

The Environmental Protection Agency is checking transmissions from television and radio stations to find out if the electromagnetic radiation affects the health of nearby residents.

Using a specially equipped van, EPA scientists over the next 18 months will measure the intensity of this type of radiation in major American cities. They will take readings from 14 to 18 different locations which later will be matched with health data to see if there is any correlation. A finding of correlation could prompt environmental rules for broadcast transmissions.

The agency has already checked Boston, Atlanta, and parts of Washington, D.C. Next on the agenda are Miami, Philadelphia, New York, and Chicago. Cities in the western part of the nation will be checked starting in October.

Foreigners' Visits Will Boom During Bicentennial

The domestic tourist industry is expecting an estimated 18.1 million international visitors this year—a 15.3 percent increase over the record-breaking 15.7 million who came into the country last year.

The United States Travel Service says the nation's bicentennial will be a major factor in the expected increase and predicts visitors from abroad will spend \$6.5 billion in the U.S. this year—20 percent more than last year.

As is customary, Canadians will be the largest group among the visitors, USTS says—it expects visitors from Canada this year to number 11.7 million. The agency says Mexican visitors will total 2.5 million. Japanese visitors, the largest overseas contingent, will number 900,000, it is anticipated.

USTS says the Japanese will spend \$390 million more in America than Americans visiting Japan will spend there. In contrast, Mexican visitors are expected to outspend our tourists to their country by \$350 million and Canadians will leave us with a favorable travel balance of \$330 million.

However, the travel accounts with western European nations are still going to be unfavorable, reflecting a continuing high volume of treks to Europe by American tourists.

In all, 22.74 million Americans are expected to travel outside our borders this year—an increase of less than one percent over 1975. They are expected to spend \$8.6 billion abroad—an increase of 6.2 percent.

Because of the influx from abroad, however, the travel dollar balance is expected to be in deficit by only \$2.02 billion—a decrease of 22.8 percent.

Small Estates May Get Federal Tax Relief

Inheritors of smaller estates may obtain badly needed relief from the bite of federal estate taxes.

A number of bills before Congress are designed to correct an inflation-caused inequity in estate taxation.

The standard exemption from federal estate taxes now is $60,000—a figure that dates back to 1942. Since then, of course, incomes and property values have soared. A dollar in 1942 was worth three times what it is today.

Most of the proposed bills would increase the standard exemption to $200,000. Sen. Dewey F. Bartlett (R.-Okla.) thinks even that figure is too low, and he calls for raising the exemption to $400,000.

Much of the sentiment for a change in estate tax exemption centers around the plight of the owners of family farms, but the taxes' effect on ownership of family businesses of all types is also a matter of concern.

Raising the standard exemption would, of course, also benefit heirs of many nonowners of farms or businesses who are in middle or upper income brackets.

According to the Agriculture Department, a farm that nets $10,000 to $12,000 annually is valued now at around $320,000. Some family farm heirs have had to liquidate farms to pay estate taxes, or have had to go so deeply into debt that repayment is difficult from farm income.

This is the problem that President Ford referred to in his State of the Union message, when he cited the need for corrective legislation to ensure that family farms can be handed down from generation to generation. He proposed changes that would exempt farm heirs from paying estate taxes for the first five years and then give them up to 20 years to pay the taxes from farm income.

More recently, he proposed raising the exemption on all estate taxes to $150,000.

How Many Firms Do Women Own? Here Are the Facts

According to recently released government statistics, women directly own about one out of every 22 businesses in the nation.

This calculation comes from the first survey of female-owned businesses, which was conducted by the Census Bureau as part of the 1972 economic census. That year, the bureau found women directly owned 402,025 firms.

The bureau reported that female-owned businesses characteristically are sole proprietorships and concentrated in industries which normally do not generate a large volume of receipts per firm. In 1972, there were 151,280 female-owned firms in selected service industries and 133,075 in retailing.

Ninety-eight percent of the firms directly owned by women were sole proprietorships, and these accounted for 89 percent of the $8.1 billion in gross receipts that female-owned firms as a whole had. About two percent were partnerships and accounted for seven percent of the total, and 0.3 percent were corporations, which accounted for four percent of the gross receipts.

In order of number firms, the leading field for female business ownership was personal services (68,298). It was followed by miscellaneous retail (65,265), real estate operators and contractors (28,440), eating and drinking establishments (27,402), and business services (21,312). These fields were followed by food stores, hotels and other lodging places, special trade contractors, apparel and accessory stores, and automotive dealers and service stations.

Government Weighs Tougher Emission Curbs for Trucks

Buyers of trucks that weigh between 6,000 and 8,500 pounds when fully loaded will need more antipollution controls starting with the 1978 model year, if proposed new federal exhaust emission standards are adopted.

Presently, trucks and vans rated at 6,000 pounds or less in curb weight are classified as light duty by the Environmental Protection Agency. These workhorses of the business world have to meet emission standards slightly less stringent than those for passenger vehicles. EPA applies standards that are even less restrictive to heavier trucks.

The agency proposes to classify as light trucks all those which have a maximum design loaded weight of 8,500 pounds—which would mean stiffer requirements on 700,000 additional vehicles in 1978. In 1975, the industry produced approximately 1.5 million light duty trucks and vans.

Also, EPA is proposing standards for light duty trucks which more closely approach those now in effect for passenger vehicles. Prior to 1975, the standards were the same; but as a result of a court decision, the rules were eased slightly for light duty trucks. The new standards, according to EPA, would reduce emissions ten percent on current light duty trucks, and 67 percent on the heavier ones that would be reclassified in 1978.

EPA estimates that the proposed changes' cost to the consumer over a five-year period would be $830 million, based on the expense of alterations to trucks. EPA says that no fuel economy or maintenance cost penalties are anticipated.

EDITORIAL

Why National Economic Planning Won't Work

CONGRESS ABOUNDS IN IDEAS for stabilizing the country's economy.

Some of the proposals have much merit. The Chamber of Commerce of the United States, for example, supports legislation that would encourage job-creating investment in the private sector.

Other proposals, however, would only aggravate a principal cause of economic instability—namely, excessive government meddling in our competitive enterprise system.

Such schemes include a suggestion that the federal government put itself into the business of national economic planning.

Under this proposal, a new bureaucracy would be set up which would estimate future demand for goods and services and also would estimate supply. Once the demand is known, the planners say, the supply could be adjusted.

A recently published study by the Law and Economics Center of the University of Miami Law School spotlights what would be involved in establishing a centralized planning agency.

Researchers at the center set out to list—but not to answer—the questions that would have to be dealt with before the national planning machinery could be designed.

The result of that research effort was a volume 2½ inches thick—1,750 pages.

For all its length, the book contains no listing of past successes for centralized planning.

There is a good reason for the omission.

Centralized economic planning has never succeeded anywhere—ever.


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